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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

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BULGARIA

DROUGHT, WATER SHORTAGE CAUSE CONCERN FOR FOOD SUPPLIES

Assistance for Drought Victims Outlined

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 28 Aug 85 pp 1, 2

[Article: "A Common Cause, a Common Concern"]

[Text] The strength of a socialist system is manifested not only in the achievement of great successes in our socio-economic development, but also during difficult moments which arise because of poor natural and climatic conditions, as we have right now.

And this year the drought has seriously affected the harvest of agricultural crops. The fall planting last year was done in an exemplary way. Sufficient mineral fertilizer was applied. All concerns for attaining a good harvest were exhibited. But the dry winter and prolonged drought have reflected quite unfavorably on the fulfillment of plans for agriculture. This has had results in the foodstuffs industry, as well as others connected with this branch, with various productions and areas of the national economy. This is why the alarms and concerns of agricultural workers are great. But these concerns are not limited to these workers. These are the concerns and alarms of the whole society.

Precisely because of this, and under the leadership of the Central Committee of the party, the government has taken measures in a timely fashion to overcome the influence of the unfavorable natural and climatic conditions and to compensate for losses they cause. By decree No 46 of 21 August 1985, the Council of Ministers affirmed certain additional measures for compensating for losses caused by the drought. This decree defined new tasks for a number of administrations and organizations; measures were outlined for assisting in significantly decreasing losses and creating the conditions for normal agricultural work, in applying the basic indicators of the past year and of the Ninth 5-Year Plan for the rhythmic fulfillment of the plans.

The Central Council of the National Agroindustrial Union was given the task of ensuring water supplies to an additional 200 livestock breeding farms until the end of the year.

Irregular electric power supply often reflects on production activity in agriculture, especially in animal husbandry, where the basic production

processes are outfitted with the technology for high production through mechanization. To overcome these difficulties, the Central Council of the National Agroindustrial Union by the end of the year will refit the necessary number of fodder combines to be used for producing reserve electric supplies for livestock breeding farms.

In the decree it was noted that the Ministry of Finance will render assistance to agricultural organizations which have fallen into difficult financial conditions because of the drought. Tasks connected with the normal operation of agricultural activity have also been assigned to other ministries and administrations, to executive committees of people's councils and of economic organizations and enterprises.

The struggle to compensate for losses caused by the drought are an object of attention of the party-government planning staff. At one of its recent meetings, it adopted a resolution for further measures to ensure a timely harvest and its complete utilization, to save the topsoil and maintain livestock until the harvests in 1986, as well as carrying out the fall sowing with high quality. "The Executive Committee of the Central Council of the National Agroindustrial Union and other okrug planning staffs," according to the resolution, "under the guidance of party committees and organizations, should create the necessary organization and control system for carrying out assignments which contains additional measures."

Thus it is necessary, under the guidance of okrug planning staffs at agroindustrial complexes, in brigades and at enterprises in the foodstuffs industry, to create a disciplined organization for nurturing the crops, for harvesting on time and without losses, for purchasing and processing agricultural production.

Obtaining more coarse and liquid fodder is a great reserve for compensating for shortfalls in grain fodder. But these too have to be harvested and stored properly, processed and offered to the livestock, to obtain maximal effect from them, which is more livestock production. This means that the harvests of all cornfields for grain must be harvested separately, and all the plant growth must be used in preparing the silage and cornstalks. All plant remnants from the corn, sunflowers, sugar beets, and other crops must be utilized fully and economically, so that production of no less than 7 million tons of silage can be obtained. This year would be a good one in which to use one large reserve such as leafy fodder. The leaders of the okrug agroindustrial unions, agroindustrial complexes and livestock breeding brigades can and must create an organization for preparing more than 500,000 cubic meters of leafy fodder. Understanding and assistance must be provided by Ministry of Forests and Forest Industry, in order to affirm on time a schedule for okrugs and forested areas.

Now more then ever it is necessary for processed fodders to be given to the livestock. Thus all fodder workshops, kitchens and other equipment must be brought into proper condition and must start working right away, in order to obtain maximal effect from each gram of fodder.

In addition to storage, another great reserve for livestock breeding is ensuring the necessary number of animals, which can guarantee fulfilling the plans for production for this year and next. This requires the Central Council of the National Agroindustrial Union, the executive committees of the okrug people's committees, the okrug agroindustrial unions, and the agroindustrial complexes to bring about strict order in enlarging herds and in terms of waste during slaughter, so that the agroindustrial complexes can maintain the necessary number of animals for public, auxiliary, and personal agricultural uses.

Together with the successful accomplishment of these important tasks, an effective organization must be created for carrying out the fall campaign in an exemplary way, in accordance with the requirements of the plan for 1986. It is necessary first of all to obtain sufficient seed from wheat and barley, for this grain to be cleaned and treated on time. This must be taken on as a primary obligation by the leadership of the Zurneni Khrani i Furazhna Promishlennost State Economic Trust and the complexes, which are the main producers of grain. And the sowing itself must be carried out in full compliance with engineering designs for the intensification of grain production.

Days are fast approaching which are decisive for harvesting such basic crops as sunflowers, sugar beets, corn, grapes, etc. And these are productions in large quantities, which must be harvested and utilized rapidly, under the most favorable conditions. For this it is necessary for all agricultural technology to be used day and night. This means that day and night work and a lengthened workday must also be the norm for transportation and purchasing organizations. Now agricultural production must have priority in all transportation.

Because of the drought and the heat waves this year, the harvest of tomatoes, apples, peppers, and grapes will take place about 15 days early. This permits the possibility of obtaining more high quality production, which is the basic raw material of the foodstuffs industry. Many more responsible tasks will be given to purchasing organizations and processing enterprises. Purchasing centers must work according to this schedule, for as long as necessary, in order to handle the production rapidly and flawlessly. Processing other crops must be utilized fully and economically, so that production of no less than 7 million tons of silage can be obtained. This year would be a good one in which to use one large reserve such as leafy fodder. The leaders of the okrug agroindustrial unions, agroindustrial complexes and livestock breeding brigades can and must create an organization for preparing more than 500,000 cubic meters of leafy fodder. Understanding and assistance must be provided by Ministry of Forests and Forest Industry, in order to affirm on time a schedule for okrugs and forested areas.

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Together with the successful accomplishment of these important enterprises must also adopt two-shift schedules, or in some places work 24 hours per day, so that there will be no reason for transport conveyances piling up at purchasing centers or for part of the prepared production spoiling. The leadership of the Bulgarplod State Economic Trust and the canning combines and enterprises must organize their work so that they can not only accept and process the fruits and vegetables on time, but also so that they can produce more, and higher quality products from them.

There are reserves in private agriculture to ensure more fruits and vegetables and the necessary raw materials. These fruits and vegetables must also be purchased and utilized.

The struggle to compensate for losses caused by the drought relates not only to agricultural workers. Full support and assistance must be provided by other branches of the national economy, by our entire society. Under the guidance of party committees and organizations of people's councils, all efforts and resources in the nation must be mobilized to help agriculture. The effective organization of work by participating brigades, employees, and retired persons has special significance for harvesting and making use of the crops.

Having a rich bounty tomorrow on our tables depends on the participation of each of us in the campaign today.

Water Situation in Okrugs Described

Sofia ANTENI in Bulgarian 28 Aug 85 p 5

[Article by Ivan Nurkov: "The Water Is not Limitless"]

[Text] Last year the farmers in our country were not surprised by the summer drought. It was a normal and characteristic agrometeorological condition for Bulgaria's geographic conditions. The situation, however, radically changed this year. Little snow fell during the winter, and the so-called "winter drought" took place. As a result of this, the reservoirs remained half full, rivers' flows decreased, and some even dried up. A true drought came in the summer months, such that rain has not fallen in some rayons since April. To affirm that the drought is unprecedented would be interpreted as a justification. But according to some specialists, such a confluence of drought-producing factors has not been seen for the last 35 years.

The director of the Vodno Stopanstvo Unified Economic Enterprise in Khaskovo, engineer Ivan Vuzharski, told me about the situation in his okrug in several words: "In order to begin normal irrigation, we needed to have around 40 million cubic meters of water in the reservoirs, but there were only 25 million. Our basic source of water, the Trakiets reservoir has been exhausted as of this date (15 August). We halted irrigation of corn, tobacco, and alfalfa; we water only the vegetables which cannot survive without water. The amount of water in the Maritsa is seriously low."

The situation in other okrugs is similar, but an especially bad drought has hit the Stara Zagora, Pleven, Sofia, Sliven, and Yambol Okrugs. These conditions have sorely tested not only irrigators and the leaders of agroindustrial complexes, but the Vodno Stopanstvo State Economic Trust as well, which must ensure water supplies. In other years, the primary matters were concerned with machines and technology for irrigating, a lack of cadres, etc. This year, however, people are looking toward specialists from that trust, who are occupied with available water, pumping stations, and large pipes, through which the water reaches the economic units. During these stressful days, the vice-general director of the Vodno Stopanstvo State Economic Trust, engineer Tsenko Dinchev, found some time to comment on the situation that has been created:

"Just one appraisal will give a true answer: we have a serious lack of water, as in no other year. Each of us is a witness to the emptying of reservoirs and the drying up of rivers. To resist the drought and ensure the maximum possible quantity of water for the agroindustrial complexes, the Vodno Stopanstvo State Economic Trust has taken additional measures. Freely flowing waters have been utilized more fully. The application of shutting off diverting canals has been applied more than in other years to raise the level of underground water. We have gone to using water from artificial lakes, which are formed by digging up inert materials. A great and perhaps lasting reserve is the underground water in our country. An additional 300 wells were dug and added to the number of working wells. Together with the committee for preserving the environment at the Council of Ministers and the Ministry of Public Health, we looked at all available water at sewage stations. The water which is harmless was included in the irrigation system; for example, a part of the Sofia municipal sewer station's water was used. As a final measure, we are seeking water at the bottom of dried-up rivers. We are simply digging up puddles, installing pumps, and using the water for irrigation."

On a map of Bulgaria, engineer Dinchev shows me the lack of balance in water supplies in some rayons. It turns out that if pumping of water continues, then the maintenance of drinking water wells for the populace will be negatively affected. At the mountain reservoirs, water is used not only for drinking, but also for obtaining electric power. During the drought year that means we are still not free from the caprices of weather, and this could present us with unexpected trials.

Disciplined organization and improved irrigation technology can respond to the difficult conditions. The feeling of responsibility is high among leaders and executives, the alarm about the fate of agricultural crops has

reached down to the ordinary workers in the fields. Certain help is being provided by industry; for example, the plant in Vidin has supplied more pumps than planned, since they are needed right now.

As always, more success is achieved by okrugs with preliminary preparations; these include the Ruse, Plovdiv, Blagoevgrad, and Varna Okrugs. There is also obvious lagging behind in the Turgovishte and Mikhaylovgrad Okrugs.

Drought truly is a natural calamity, which often grips our country. Our future and the bread we have next year depend on how we deal with the drought. From my visits to and conversations at Vodno Stopanstvo, it is evident that the leaders and specialists there are doing everything possible to minimize losses, to use water most efficiently, which everyone is convinced is not limitless.

And lest we be overcome by the same problems a little while from now, perhaps we need to take measures right away for more full utilization of water from winter snowfalls. Let us think (and act!) on this right now.

12334
CSO: 2200/96

CZECHOSLOVAKIA

WORKER CRITICIZES MANAGEMENT

Prague HALO SOBOTA in Czech 24 Aug 85 p 7

[Letter from Frantisek Tvaruzek, Svit pod Tatrami: "Whose Responsibility Is It?"]

[Text] I read the letters printed in DELNICKE SLOVO with great interest and I would like to also add a few comments to them. As a worker, I must fully agree with everything that was printed on the subject in the HALO SOBOTA supplement to RUDE PRAVO. As an auto mechanic and repairman, not a member of the party, I carefully observe life in our CSAD [Czechoslovak State Automobile Transportation] plant. I take part in the section meetings of the ROH [Revolutionary Trade Union Movement] and can say that as a rule they do not result in anything and are just done as a formality.

In recent years, the workers in our plant are constantly talking about the same problems, for example, we need new cables and new hoists in our workshop in order to work safely. We have had the old cables and chains for more than 10 years now. And what is being done? For two years the responsible employees have made excuses for various reasons--we cannot find any, we do not have the money for them, etc. Are they waiting until there is an accident at work...? The deficiencies which we point out are also entered in the logbook for three-level control, which is suposed to be checked by the chairman of the ZV [plant committee] of the ROH and the plant manager. There are always the same entries in the logbook, but none of the responsible employees even takes an interest in correcting the deficiencies. Where is their responsibility being shifted to? Or are they not up to their jobs?

It could also be a case of some supervisors getting their positions through favoritism, rather than ability.

Our society will have to pay for the inabilities of such favored workers, who often indeed have the required education, but lack a good relationship with the workers. It also happens that the worker must make good on damages for spoiled work caused by the supervisor's bad decision. And what happens to him? Or another matter. The supervisors strictly demand keeping proper working hours, but this seems to apply only to the workers. In a great many cases they themselves do not keep proper working hours and it is not unusual for them to use the working day for "an open-air ROH meeting." Many workers are brought before

the disciplinary commission, but practically none of the supervisors or administrative employees. Their offences are simply hushed up. It is therefore no wonder that relations between the workers and management in some plants are unnecessarily hostile.

Why is there only control "from above," for example in enforcing the prohibition on the use of alcoholic drinks at work? Why could there not also be control "from below?" The worker should have the right to act if the supervisor, for example, goes on alcoholic benders during working hours.

6285
CSO: 2400/586

CZECHOSLOVAKIA

SOIL EROSION PROBLEM NEGLECTED

Prague RUDE PRAVO in Czech 27 Aug 85 p 5

[Excerpt] Perhaps every citizen still has a clear memory of the gales which in recent years have caused considerable losses in the forests. There is less talk, however, about the damage which the wind causes to agricultural production. The reason is obviously that the wind erosion affects only a certain area of our country, mainly southern Moravia. Even the Moravians, for example, sugarbeet growers, seldom "boast" to journalists that their fields actually "blew away" when they were already green with beet leaves. The wind carries away the upper layer of the arable ground along with the young plants or tears them apart with grains of sand. In other cases, the plants can be buried along with the furrows, etc. Experts speak of about 860,000 hectares of agricultural land in the CSR which is threatened in this way.

The reader J.B. from Brno obviously had all this in mind when he reacted to the article "The Fight Against Erosion" [RUDE PRAVO 16 August of this year] dealing with this problem in the Breclav okres. Hats off to the work which the people in Breclav did--we have in mind here the fact that they created terraces growing fruit and grapes from unarable hills covered with thorny bushes, locust trees, and steppe vegetation. This was an important demonstration, even though quite an expensive improvement project, of how to add to the large-scale agricultural production even those plots of land carried in the documentation of the soil resources as nonagricultural or temporarily unusable. But in the true sense of the word, this is not a typical case of the fight against erosion, and does not deal with wind erosion at all.

How is it that for many years our experts neglected the question of wind erosion in both research and application? What is actually being done against it? Are these 860,000 hectares in our most fertile area actually such a small amount that we can just shrug them off? "I think," writes J.B. from Brno, "that the State Conservation Directorate, the Soil Reclamation Research Institute in Prague, and the south Moravian farmers deserve criticism for not paying much attention to the losses caused by wind erosion."

6285
CSO: 2400/586

ROLE OF MONEY IN SOCIALIST PLANNED ECONOMY ANALYZED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 33 No 5, May 85 pp 692-712

[Article by Waldfried Schliesser, Prof Dr of Economics, Certified Economist, Director of Research for the Marxism-Leninism Section at the "Bruno Leuschner" College of Economics, East Berlin, member of the editorial staff of WIRTSCHAFTSWISSENSCHAFT; and by Ursula Zufelde, Dr of Economics, Certified Economist, Senior Assistant for the Marxism-Leninism Section at the same college. Original title: "On the Functions of Money in the Socialist Planned Economy"]

[Text] Summary

Proceeding from the fact that socialist relations of property and production and social development according to plan are the most important conditions of effect and utilization of commodity production and money in socialism, the authors look into the various functions of money from the point of view of changes in the economy due to comprehensive intensification. In this context they comment on the money-theoretical discussion and polemize against a value-measuring function of bank money. They explain why the circulating tokens represent the money commodity instead of labor, and how money functions are being realized. As a result they arrive at the conclusion that with the transition to comprehensive intensification the active role of money is growing.

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At the September 1983 GDR Conference on Economics, Guenter Mittag noted: "The significance of economic accounting and the role of money is growing as a consequence of the further deepening of intensification. The further perfection of economic accounting is therefore a fundamental task of far reaching import. Arising therefrom are important clues for economics research. It is imperative, in particular, more profoundly to investigate the interconnection between the conscious utilization of the law of value and the requirements of planned proportional development."(1)

One of the tasks involved for economics research is the study of the growing role of money with respect to comprehensive intensification, in order even more effectively to utilize money and its functions in the struggle for the greatest possible growth of performance for the benefit of the people.

This calls on us to more profoundly explore the nature of the economic category money and the conditions for the function of money in socialism. There are various theoretical conceptions on the role of money in the socialist mode of production. They include the mistaken opinion that money represents one category of presocialist production methods (a kind of "birth mark") still operating in socialism, which contradicts the nature of socialism and should be eliminated as soon as possible. No less erroneous is the interpretation which concludes from the concept of money as a category of socialism that Marx's theory of money does not totally apply to it, because Marx's investigations were concerned with the capitalist monetary system. By contrast, we assume the following basic positions:

1. Commodity production, commodity circulation and money circulation are manifestations occurring in various modes of production.(2) The respective mode of production determines the specific nature of their operation. It follows that the conscious utilization and planned organization of the categories of commodity production postulate knowledge of their general determinations as well as their specific socioeconomic substances and modes of action. With regard to money, this means Marx's perceptions of the functions of money in general and of the specific nature of money in socialism in particular.

2. Socialist ownership and production conditions and the social plan adherence of the associated labor represent the most important conditions for the operation of commodity production and money in socialism. They define the socialist content of the categories of value and money in the socialist mode of production. This consists primarily in the fact that

-- The material substance of commodity values, the exploitation of free, collective and socially planned labor as concreted abstract labor defines the new socioeconomic content of all value categories--including money;

-- Operation and utilization are decided by the social objective of socialist production, which consists in the guarantee of the greatest possible prosperity and the free and all-round development of all members of society;

-- Total social planning as a general mode of operation of the socialist national economy also includes the movements of value and money.

3. Value and money categories and their operation are certainly not market economic alternatives to the socialist planned economy. Instead they are essential and necessary internal elements of socialist planning, important both for the calculation, planning, management and supervision of the economic circulations and for the planning, economic accounting and economic stimulation of the best possible performances in combines and enterprises.

4. Representing large-scale social production, increasingly dependent on scientific-technological progress, socialist commodity production requires an appropriately efficient commodity circulation and money circulation, both of which help ensure that the efficiency achieved in production exerts its full effect on the national economy, and that the active interrelation of production and consumption is effectively mediated.

The SED's economic and social policy has always devoted the proper attention to the issues of commodity production, value and money. As long ago as the constituent congress, it called for "the conversion of capitalist to socialist commodity production."(3) The nationalization of banking was an important step toward putting the monetary and credit system entirely at the service of the construction of socialism and safeguarding the interests of the workers. The SED gained much valuable experience and increased theoretical knowledge of the socialist monetary system in the course of implementing its monetary policy as an element of its united economic and social policy, directed to the organization of developed socialism. At the present time the party is mainly concerned with the efficient use of monetary functions for utilizing the resources and potentials of the socialist monetary system, responding to the tasks of the new stage in the implementary of its economic policy, helping provide permanent foundations to comprehensive intensification and achieving vastly greater efficiency by the combination of new equipment and new products.

In the following, we will present some of our ideas on how comprehensive intensification affects monetary relations and how, by way of money, the reproduction process is affected in turn.

The active role of money is based on its objective functions;the latter are needed for money to become effective.(4) The functions of money characterize its features, express its nature. From the methodological aspect, the theoretical discussion of money functions moves on the one hand at a level of abstraction signifying the concretization of the general nature of money, which includes features of money already typical for the conditions of socialist commodity production and the characterization of money in the developed socialist society (5); in the degree of abstraction, on the other hand, it stands as the expression of the essential nature and laws, the concrete issues of the utilization of the categories and relations related to money.

It is precisely the necessity for the practical utilization of money as an instrument of management and planning, the great importance of the active role of money and finance, which require the steady deepening and more precise definition of our perceptions of the development of the monetary form and the function of money in socialism. These objective functions of money must not be confounded with the concrete role of money in the various economic processes (distribution, stimulation, control). "This conception (Marx's--W.S.U/Z.) must be used also for the analysis of the functions of money in the socialist economy. It assumes the definition and discovery of these functions not with regard to the concrete role of money in the many economic processes but on the basis of the qualitative definition of the types of movement of immediate social labor in the objectified form of value in these processes. That is why the description of the functions of money requires the analysis of the total concrete multiplicity of economic processes to be served by money, in other words the study of the economic role of money from the single qualitatively determined aspect of these processes: The aspect of the specific nature of the forms of the value realized in their movement."(6) On

this assumption, the more efficient utilization of the active role of money in the socialist planned economy must be viewed in two main trends:

1. The changes occurring in the economy by comprehensive intensification and the changes arising therefrom for money and its active role are many and varied. They affect the functions of money in various ways. An exact theoretical analysis is required of the way in which money exercises its various functions. In this connection, the more profound problems of commodity production and circulation--on which money circulation is based--rise to the surface with regard to money and money circulation. Without knowledge of the nature of the monetary processes occurring, it is impossible to arrive at long-range monetary decisions or actively use money to genuinely raise efficiency.

2. To efficiently use the active role of money, its functions must be appropriately brought to bear in practice. At the same time it is necessary to take into account the fact that money and money circulation do not simply and passively reflect the processes of commodity production and circulation upon which they are based but follow their own laws. Valid analogously for the relative independence of money circulation vis-a-vis commodity circulation is Engels' dictum on the relation between the banking business and the commodity trade: "As soon as the banking business is separated from the commmodity trade--and in specific conditions set by production and the commodity trade and within these limits--it undergoes its own development, falls under particular laws determined by its own nature, runs through separate phases.(7) It takes knowledge of these laws of money circulation to achieve the conscious and resolute utilization of the relative independence, the creation of a utilization mechanism appropriate to practical needs and, thereby, the full efficacy of the active role of money.

The Function of Money as the Criterion of Values and Yardstick of Prices

In this capacity, money serves to convert values to prices. In this context, money as a commodity supplies the commodity world with the material for expressing value. "As all commodities are in principle commensurable as values of embodied human labor, they may all together measure their values by the same specific commodity and thereby convert this to their common measure of value or money."(8) Imperative in all spheres and at all stages of the social reproduction process, the realistic recording and correct appraisal of the consumption of live and embodied labor and the reflection of value in the price represent necessary prerequisites for the improvement of efficiency. All value indices which need to be made effective as per plan within the framework of economic accounting, depend on the recording in terms of money of costs and profits. For management, planning and economic accounting, the role of money as a value criterion expands to the extent that the value creating potential of live labor grows by comprehensive intensification, the dynamism and dimensions of the social reproduction process increase, and the interrelations between the componenents involved in the division of labor in the social reproduction process are intensified. In general terms we may assert that the growing role of money as a value criterion represents a manifestation necessarily accompanying comprehensive intensification. In practice, new problems arise, which are linked to the measuring function of

money. How we cope with them decisively affects the way money gets to be actively operative for the implementation of intensification and the improvement of efficiency. Let us cite some examples:

1. Scientific-technological progress exercises growing influence on the process of value formation. This is due to the effect of such progress on changes in the cost element and cost structure as well as by the growing proportion of the costs of science and technology. The advance of the social division of labor means that the results of scientific-technological work, such as documentations, patents, licenses and software, may themselves be sold, and that prices for them need to be fi

2. The call upon natural resources and the costs of preserving or regenerating natural resources increasingly affects the formation of values and prices. The enforcement of comprehensive intensification is indivisibly linked with the task of achieving a new stage of rationality in the man-nature relation and efficiently using the natural sources of production. "Arising from the social necessity of orienting the economic mechanism even more resolutely to the relative conservation of natural resources, therefore, is the task to plan and acccount for the consumption of natural resources at all levels of the national economic in the most economical manner possible as well as to provide material incentives for all economic units to produce the largest possible national result with the least resource specific expenditure."(9) The measuring function of money obtains a new field of application by the necessary use of money as a means for the valuation of natural resources.

3. In the conditions of intensification, the greatest possible efficiency is largely guaranteed by the speeded-up and uninterrupted renewal of products and the product structure. "A fast rate of renewal is one of the prime conditions for intensively expanded reproduction."(10) Guenter Mittage stressed the necessity "in each combine to raise the proportion of new items in production, indeed to organize a continuous process of production renewal. For this we have a definite yardstick: Each year at least a third, if not more, of production must be renewed, always with the goal of better quality and greater efficiency."(11) This necessary and fast product renewal also aims at changing use values (increase) and changes in the value (reduction) of commodities. Price formation for new and further developed products gains importance, because precisely this price formation as a necessary accompaniment of assortment renewal is able within a few years to alter the entire national level of prices as well as the price structure.

Some people hold that we now have a price system in which changes proceed by the introduction of some points in existing and firm relations, and that the measuring function of money has thereby become redundant. These opinions are not only wrong in terms of theory, they entirely miss the real processes of economic practice.

The growing further processing in production has a great deal of influence on the value formation process and the measurement of values. It means that the same volume of natural substance absorbs a greater volume of labor. As a result, the natural substance is better adapted to the demand. The further

processed products thereby achieve greater use value while, at the same time, each unit of natural substance is "more value intensive." It is significant for the connection between further processing and value formation that further processing is normally linked to scientific-technological advances. In so far as scientific-technological efforts are embodied in further processed products, labor generally assumes greater complexity, in other words represents labor with a greater value creating potential. The further processing of the raw material usually proceeds by several production stages. The quality of labor at each production stage decides whether the growth of use values at each stage of production is fully expressed in the use value of the final product, and the expenditure of labor of all stages of production is fully acknowledged as the social value of the final products. It follows that further processing signifies the growth of value in a dual meaning: A quantitative unit of natural resources absorbs more and more complex labor by extended processing. This makes it possible to produce a larger national income for the better satisfaction of the material and cultural needs of the people and to expand socialist reproduction.

4. The guarantee of the smooth flowing development of the economy on the basis of long-range planning requires comparisons between the values of various periods of time. From the aspect of monetary theory, it is of particular importance here that changes in the level of prices reflect changes in the price scale in addition to changes in the value of the commodities, in other words they demonstrate changes in the representative relation of the monetary unit. Realistic comparisons between the expenditure or consumption of live and embodied labor at different times must therefore take into account the development of the price scale. This involves

-- The price scale in the average of the national economy (this provides an answer to the question whether or to what extent changes in the level of prices are due to changes in expenditure or scale);

-- The price scale for a particular product group (as the expression of industry or product specific value-price deviations in a particular direction).

It is precisely the necessity for comparing different periods, which challenges the stability of monetary relations and therefore requires clear definition in terms of theory as well as realization in practice. In the conditions of a developed monetary system where purchase and payment do not normally coincide, changes in the real price scale, arising from the upward divergence of prices with respect to value, affect the equivalent exchange.

The function of money as the criterion of values and yardstick of prices involves fundamental theoretical as well as many practical problems. We are of the opinion that money in this function cannot be represented by any currency units of whatever kind. This is not meant to deny the genuine development of the monetary system. We are merely noting as a necessary assumption for the Marxist interpretation of this development "that, by the most comprehensive social validity of its expression of values, the monetary form actually represents the most perfect form of motion of the contradiction between use value and value."(12)

The scientific question on the basis of Marx's monetary doctrine must therefore be this: How does value measurement by the money commodity function at the present time, and what is the role of currency units in this process? The following elements offer starting points for the explanation of this complex and multilayered problem:

-- To realize the function of measuring value, gold (the money commodity) need be available in the imagination only. "The conversion of the commodity to money for calculation in the head, on paper, in the language, occurs every time that any kind of wealth is fixed from the aspect of exchange value. The material of gold is necessary for this conversion, but only as an image."(13)

-- Gold as the measure of values necessarily involves its change to the scale of prices. "As commodities no longer relate to one another as exchange values to be measured in terms of hours of labor but as homonymous dimensions measured in gold, gold turns from the measure of values into the scale of prices."(14)
The theoretical appreciation of the variety of functions of money as the measure of values and price scale is an essential condition for interpreting topical manifestations of the monetary system in politico-economic terms. In our opinion, this condition is not met when the measuring function of money is reduced to the determination of value relations or a measuring function ascribed to credit money.(15) Though this is often asserted, the discrepancies in the theoretical interpretions of the exercise of the measuring functions of money do not consist in differing explanations of topical manifestations. Instead they involve the comprehension of Marx's value and money theory. We note a fundamental counterargument in Marx's rebuff to the "doctrine of the ideal unit of measure of money." Berkeley, one of the champions of this doctrine, asked: "Should not the terms livre, pound sterling, krone, and so on, be considered mere designations of relations?" ... "Are gold, silver and paper more than mere tickets or tokens for their calculation, recording and transfer?> ... "Does not the power of industry...to command others represent wealth? And is money in fact anything else than a token or sign for the transfer and registration of such power, and is the material of these tokens particularly important?"(16) This doctrine was fully developed by Steuart. In his debate with him, Marx noted: "Steuart simply clings to the appearance of money in circulation as the yardstick of prices and as money for calculation...As he does not understand the conversion of the measure of value to the price scale, he does, of course, believe that the defined amount of gold which serves as the unit of measurement refers as a measurement not to other amounts of gold but to values as such. Because, owing to the transformation of their exchange values into prices, goods appear as homonymous dimensions, he denies the nature of the measurement which makes it homonymous."(17)

The advocates of the credit money conception ascribe a value measurement function to credit money and thus aim for the function of gold as a value measurement to be superseded. They leave aside this one consideration decisive for the value measurement function: The conversion of values to prices. Wherever credit money appears as such, it unfailingly presumes the existence of prices; it therefore must nor and cannot measure but at best

compare. That is a matter of relations which, actually independent of any concrete measure, retain their declarative force. An erroneous concept claims that credit money in socialism is capable of measuring value because it "contains labor"and is therefore suitable for measuring the "labor content" or socially necessary labor capacity. The theoretical error in this instance consists in the consideration of money as a direct representative of working time (instead as the representative of the money commodity). In his dispute with Proudhon and other "recorders of hours," Marx demsonstrated why this is not possible: "Because price does not equal value, the value determining element--working time--cannot be the element in which prices are expressed, because working time would then would have to express itself simultaneously as the determinant and non-determinant, the equal and unequal of itself. Since working time as a measure of value exists only in the imagination, it cannot serve as the substance of the comparison of prices."(18) Evidently, Marx's argument has general application, for the socialist monetary system also.

Let us from yet another aspect explain the still valid statement that money can exercise its function as the measure of value only in the form of a money commodity (and gold was precisely the material which developed into such a commodity in the course of history): The rejection of gold's role as a measure of value is often justified by the fact that the emission of monetary tokens is not tied to gold, that the fixation of gold's representation relation to circulating monetary tokens is meaningless, and that commodity prices are not fixed on the basis of the development of the price of gold.(19) The description of these manifestations does not touch upon the role of gold as the measure of values, because neither the issue of money on the basis of gold nor a fixed price scale are conditions for this value measuring function. The manifestation of the influence of really available gold on monetary tokens and the theoretical interrelations behind it are instead the substance of the functions of money as circulation, accumulation and payment medium.

The Function of Money as a Medium of Circulation

Money really appears as a medium of circulation. The money commodity is here represented by monetary tokens. For money to be able to carry out its function as a medium of circulation, it must be balanced by corresponding commodities. Money realizes its use value as a general equivalent by way of the simultaneous exchange of commodity and money. It is correct to speak of money as the "general claim to material products" only with regard to the use value of money in the realization of the exchange of equivalents. It is wrong, on the other hand, to characterize money in terms exclusively concerned with its use value, if we wish to explain the value of money.

The guarantee of the realizability of the purchasing medium in exchange for commodities and services is of great practical import. In socialism, money as a medium of circulation serves to mediate between production and consumption in the meaning of the planned realization of the main task. The demand appropriateness of production and, in general, the proportionality of economic circulations in the socialist economy is demonstrated in the complete realization of the commodities produced (C - M) and also of cash incomes (M - C). The improvement of the efficiency of production represents a genuine

As a circulation medium, money represents value-- not value as such but the value of the money commodity. "Paper money is a token of gold or a currency unit. Its relevance to the values of commodities is entirely based on the fact that they are ideally expressed in the same quantity of gold which is symbolically represented by paper."(23)

In the course of history, paper money gradually supplanted gold in circulation, circulated simultaneously with the money commodity and, therefore, was initially fully exchangeable for gold. However, the effective exchangeability for gold is definitely not an indispensable condition for the representation of the money commodity by currency units in general. It is merely the expression of an unchangeable representative relation in a specific period of time.(24) The nature of the money commodity does not consist in its being a static measure of value. On the contrary, its value is just as changeable as that of any commodity. Consequently, it is impossible for the value representation of a monetary unit to be fixed in law once and for all.(25) Fixing the gold content of the currency unit must be considered an administrative act by means of which, at the particular time, the price sum of all commodities, the volume of money within the country and the value of gold are related to one another, so that the nominal price scale (expressed in the official gold content of the currency unit) and the real price scale may coincide. This price scale has lost its economic evidential force at present, not because gold is losing its importance as a money commodity, but because the real price scale has altered radically due to national and international factors. The practical importance basically inherent even now in gold as a money commodity, is not evident when we consider money in its function as a medium of circulation. It is explicable only when we look at all the functions of money.

Gold as a Medium of Accumulation and Savings

While, in its function as a measure of values, money requires the money commodity in its ideal form as imagined gold and, when functioning as a medium of circulation, may have the money commodity represented by currency units, money as a medium of treasure formation must be actually at hand, "appear in its golden corporality."(27) In this instance, Marx was considering capitalist commodity production, for which it is true to say that money becomes the "absolute social form of wealth."(28)

Treasure formation in capitalism is decided by the nature of its exploitative relations. The nature and functions of accumulation and savings processes in the socialist society are fundamentally different. The generally valid basis of this function is represented by the possibility of "pinning down the commodity as an exchange value or the exchange value as a commodity."(29) "Money accumulation and treasure formation therefore appears here as a process temporarily accompanying genuine accumulation, the expansion of the progression affected by industrial capital."(30)

In contrast to the initial trreasure formation, money in this accumulation function may "also exist in the form of the capitalist's mere deposits or debt claims."(31) In this function also, real money may therefore be replaced by tokens. In this respect, the practical task for the rational organization of accumulation in socialist combines and enterprises consists in the necessity to make visible the changed material reproduction conditions in monetary

improvement in efficiency only when the act of consumption can be consummated to conclude social production, in other words, when the commodity gets to the consumer by way of circulation and money. Money therefore has an active role in so far as money is required for converting to real efficiency and, if at all possible, without loss, the "potential" efficiency achieved by production. This function of money has a great impact precisely in the sphere of individual consumption and its effect on the standard of living and the willingness to perform.

The function of money as a medium of circulation decreased consequent upon the development of the credit system. At the present time, purchase and payment nmormally coincide in the retail trade alone. When we assume that roughly 70 percent of the national income is used for individual consumption, and that these cash incomes are spent on commodities and services, we state the obvious by saying that the standardized planning of the proportions of the national economy in terms of use value, value and finances is crucial for the realization of money's function as a medium of circulation. Growing cash incomes must be accompanied by the growing availability of total commodities and services. The latters' structure must conform to the structure of the incomes to be formed and vice versa. On the basis of planned production, the organization of circulation as the unity of commodity and money circulation with their reciprocal conformity represents an essential condition for the efficiency raising effect of the socialist distributive principle. At the Seventh SED CC Plenum, Erich Honecker stated in this context that "the most varied requirements of our economic policy intersect in consumer goods production, a sphere which is gaining increasing importance. It is obvious that its standard directly affects supplies for the public and, therefore, the efficacy of the performance principle."(20)

By the rational organization of cash circulation and the most exact planning possible of cash circulation, the bank provides more favorable conditions for money to function efficiently as a medium of circulation.

Theoretical problems with regard to this function of money tend to mainly arise as follows:

The value of money is often defined as the claim, embodied in the monetary unit, on the total social product or national income and as the purchasing power of the monetary unit.(21) Referring to the function of money as a medium of circulation, the concrete manifestation is here equated with the nature. In the background of such a definition of the "value of money" is the concept that money in socialism serves the "comparison of values" without itself being a commodity with a value and use value, without itself embodying value (as the value of the money commodity). This denies money's function as a measure of value, and we consequently lose every objective criterion for the exact measurement of economic performance. If the value of money derives from the values of customary commodities (or even from their prices)--what is going to be the yardstick for measuring the value and prices of customary commodities? Once again, the equation of the price scale with money as such is the source of theoretical entanglement.(22)

processes also, and thereby sdafeguard the unity of material and financial accumulation processes. The modernization of existing basic assets and the speed-up in fund reproduction raise the role of money in the circulation and turnover of funds. The time factor gains even greater importance for the formation and realization of the commodity value.(32) Growing obsolescence imperiously calls for the speedier transfer of the value of fixed assets. The time taken for money changing into media of accumulation grows ever shorter. Non-recurrent costs rise rapidly (for some new products of microelectronics, they already exceed the amount of regular and recurring costs of live labor and materials).(33) The most accurate possible reflection of non-recurring costs in the price of products therefore increasingly affects the success of failure of money to exercize its function as a measure of value and the success or failure of the realization of these costs by way of price. Moreover, that part of the commodity value earmarked for compensating the non-recurrent costs and recorded as a medium of accumulation, is crucial for the future standard of production and, therefore, future efficiency.

As regards money as a medium of savings by the public, the reason forthis money's leaving circulation is important. In addition to representing precaution with respect to the vicissitudes of life, the economic purpose of savings is that of collecting a specific part of net cash income for a specific period of time in order to later realize the purchase of high-quality consumer goods and selected services. Exact analyses of the development of public savings deposits and the motivation for savings may help to use public savings deposits as planned sources of credit and organize the planned cash circulation.

The development of the price scale has practical and theoretical importance for money as a medium of accumulation and savings. In contrast to the circulation function, where purchase and payment coincide, changes in the price scale directly affect money as a medium of accumulation and savings (also as a payment medium). A stable price scale in socialism is the best possible condition for the active role of money as a medium of accumulation. However, the changeability of the price scale (an objective given in socialist commodity production also) conforms to the nature of the representation of value by monetary tokens. Planned price formation, the state system, the planned organization of money circulation and fixed exchange rates created conditions for the GDR's socialist currency system, which guarantee the stable development of the currency. We must constantly analyze the evolution of the currency, the factors which, at any particular time, are primarily involved in this development, and what needs to be done to safeguard the evolution of the currency consonant with the economic laws of socialism. The answer to the disputed question of the practical importance of gold as a money commodity in our age cannot be found at a glance. Assuming that we are dealing with a domestic currency (and this assumption applies to the GDR mark as well as the other socialist currencies), the value of gold or the currency unit is often quite unjustifiably in theory also equated with the internal purchasing power of money (and therefore gold excluded straightaway).

Without being able here to cite sufficient empirical proof, we should note the following: The money commodity gold does indeed affect the GDR mark, too. This influence is not expressed in direct dependenceof prices on the value or "price" movement of gold but variously by means of the effect of world market prices on the domestic price level.(34) The expansion of foreign trade and the increased division of labor within the framework of socialist economic integration emphasize this influence. In the interest of the long-term and stable development of the currency as the prerequisite for the realization of the active role of money in all its functions, it will therefore be necessary in future more intensively to analyze and take heed of the international factors of influence.

The Function of Money as Payment Medium

Money functions as a payment medium when purchase and payment fail to coincide, and the movement of money is not directly linked to the movement of commodities. "As a general payment medium, money becomes the general commodity of contracts."(35) Buyers and sellers turn into creditors and debtors. The emergence of the credit economy as a form of the money economy necessarily accompanied the development of capitalist commodity production. "This also settles the absurd question whether capitalist production could be possible...to its present extent without a credit system, in other words manage entirely with metal circulation media. Obviously that is not the case. On the contrary, it would have been limited by the volume of precious metal production."(36)

For Marx, the qualitative definition and quantitative expansion of money's function as payment medium represent the criterion for the extent of the evolution of commodity production in general. The expansion of the payment medium function continues in socialist commodity production. Money as payment medium mediates the distribution and redistribution of the national income. The significance of this money function for the realization of economic and social policy is correspondingly great.

Finances as a particular form of relatively independent money relations provide the socialist state with an important tool for actively affecting production as well as the nonproductive sectors of the national economy. As productivity improves, increasing material and financial potential is available for distribution and redistribution, and a larger proportion of payments is no longer directly linked to the movement of commodities. In 1983, for example, state budget revenues amounted to M192.4 billion (compared with M70.6 billion in 1970).(37) The importance of finances for the realization of the function of money as payment medium rises accordingly. The socialist financial system as an essential element in objective money relations must operate so that money may be used as planned for the growth and improvement of the structure of the proportions of intensively expanded reproduction, while all project planning and financing is compelled to depend on the achievement of ambitious efficiency targets.(38)

The steadily deepening social division of labor on the one hand and socialist ownership of the means of production on the other are essential assumptions for the evolution of stable conditions of payments and clearing on the basis

of production planned in terms of appropriate value and use value. Proceeding further from this point, the standardized and rational organization of payment transactions is another key factor in the day-to-day work for the increase of the active role of money in its function as payment medium,(39) its gradual automation and the assurance of the constant solvency of combines and enterprises as the result of liquidity planning.

Payment transactions enmcompass the movement of money as circulation and payment medium, whether in cash or cashless. Its rational organization permits money to circulate faster and makes for cheaper monetary processes. This results in a double improvement of the efficiency of the reproduction process: The costs arising to society by the issue, movement and storage of money are reduced. At the same time the faster turnover of money makes it possible to move a greater total of commodities and prices with the same volume of money, in other words permits us to use the faster money circulation to speed up commodity turnover and the value realization involved therein.

Payment transactions involve the portion of money in movement within the framework of the standardized socialist money supply. In addition to payment transactions, this includes money in its function as a medium of accumulation in the form of deposits on bank accounts and other holdings (monetary funds). The money supply required for the smooth running of the socialist reproduction process can be decided only on the basis of the laws of money circulation developed by Marx.(40) These laws generally proclaim that the money supply directly depends on the total price of the commodities and, inversely, proportionally on the circulating rate of money. The conscious application of these perceptions is currently hampered mainly by the fact that it is impossible to decide the circulating rate of money. For the application of Marx's perceptions with regard to the circulation of money, it is therefore still important to appreciate the fact that the overall coincidence of the money supply and the total price of the commodities to be moved does not in any case suffice for the smooth conduct of the commodity circulation and payment transactions. Essential, on the other hand, is the conformity of the use value structure of the commodity mass and the structure of money incomes. In order to produce the necessary proportionality between the commodity supply and the money supply, the socialist state created efficient tools (the balance sheet of the money received and spent by the people, cash transaction planning, credit balance), which may well be bases for the planning of money circulation for some sections of commodity and money circulation amenable to relatively stable boundaries (the sectors of capital goods and consumer goods). With respect to the planned and stable money circulation, it is also important to note that, in socialism, money circulation represents the circulation of monetary symbols, in other words tokens are all that circulates. With the repeatedly emphasized proviso, the law of money symbols or representation applies, according to which money is able to discharge all its functions on the basis of a money commodity alone.

What are the theoretical and practical consequences of the recognition of the money commodity gold for the developed socialist commodity production also?

We do not think that, in the conditions of our time, the values of commodities are expressed in gold. Such a direct value measurement existed only for a

short period, and even at that time only in the exchange of commodities on the site of gold production.(41) The ongoing development of commodity production, the evolution of relatively stable exchange relations and prices, substantially altered the value measurement. "The definition of all commodities as prices--as measured exchanged values--is a process proceeding quite gradually, presumes frequent exchanges and therefore the frequent comparison of commodities as exchange values; once the existence of commodities as prices has become the assumption--an assumption which is itself a product of the social process, a result of the social production process--, the fixing of new prices is quite straightforward, because the elements of production costs are themselves available in the form of prices, in other words may be simply added up."(42)

Nor do we agree with the notion that gold is or should be the direct basis for the issue of money in socialism. The money supply required for the circulation of commodities is decided by the requirements of the reproduction process. Rigid pegging to gold would nullify the positive effects necessarily brought about by the inevitable expulsion of gold from circulation (cancellation of the quantitative restriction of money and the reduction of circulation costs). However, circulating money is pegged to the money commodity in so far as the circulating tokens continue to represent the money commodity and, therefore, the value of money as a whole corresponds to the value of the gold necessary for circulation. We cannot accept the argument raised by Fuchs/Lotze/Schellbach against gold as money commodity, that the value of gold should in this case need to be ascertainable but in fact might be described as a "not adequately verifiable dimension."(43) It is of the nature of the value of any commodity that it is not amenable to direct measurement.

Oddly enough, no doubts of the objective existence of value per se are heard in discussions among Marxist economists, though they do mention doubts about the value of money or the money commodity. The theoretical abandonment of the money commodity implies the abandonment of the objective value of money altogether and leads to declaring the money value to be a claim on the total social products or national income, to the identification of the money value with the purchasing power of the monetary unit. Disregarding the fact that the attempt to explain value by prices amounts to a total reversal of the real relations, the question about the causes of price development cannot be answered in this fashion. The price of a commodity depends on two factors: The value of the commodities and the value of money. "When the value of money remains the same, commodity prices may in general rise only if the values of the commodities increase; when the values of commodities remain the same prices may rise only if the money value declines."(44) The connection between money value and commodity prices does not lose its objective validity by changes in the nature of commodity production. As a price is fixed, the value of a commodity is given monetary expression. In the average of society, a particular price scale arises as the result of price formation.

There are at least two fundamental relations as regards the effect of the money commodity on the development of prices. The first is constantly cited to justify the alleged loss of gold's monetary function, while the second is almost always left open. The first question refers to the development of the

value of money, which, in the opposite direction, affects the level of commodity prices. The advocates of demonetization like to point out that this connection is no longer empirically demonstrable. The second question concerns the value representation of the monetary unit. If the value of money is unchanged, the commodity value may, in theory, be reflected in many price levels and not only in one. Value and price achieve their objective and indestructible connection by way of the price scale, the value representation of the monetary unit. If the sums total of value and price develop in different directions or at a different rate in the same direction, the price scale changes, and this affects the realization of the equivalent exchange.(45) As the expression of the practical importance of the existence of a money value, existing and to be explained independent of customary commodities, this connection is essential for socialist price formation.

As compared to changes in the value of the money commodity gold, changes in the price scale have now become the major (if not exclusive) cause of changes in the price level. The reasons for this development are of an objective kind. First of all they include the fact that gold has been largely eliminated from circulation, and that the circulation of commodities is now being realized by means of the representatives of money. It is also a fact that the economic development of past decades and centuries has resulted in a quantitative relation of gold production to the production of all other commodities to the effect that gold output represents a shrinking percentage of total output. The direct influence of the value of gold on the reflection of the value of all other commodities has been correspondingly weakened and is now hardly quantifiable. In our opinion, these are objective changes in the manner of the realization of gold's money function, not evidence of the loss of that function.

On the Characterization of Socialist Money Circulation

The much debated and disputed problem of the characterization of circulating money also arises from the fact of the circulation of representatives of money. Any notions of defining socialist money ase either paper money or credit money seem to be diametrically opposed to one another. In our opinion, the debate whether money in socialism is paper money or credit money is entirely fruitless, from the theoretical as well as practical aspect. In this particular form, it can never be solved because the question itself reflects a wrong methodological approach: Described as paper money or credit money are functioning forms of money;(46) in other words they are basically neither designed nor able to express the nature of money in general nor concretely in socialism.

The nature of money in socialism is defined by the general definition of money as an "independent form of value"(47) and by its specific features which arise from socialist production conditions. In socialism, money assumes the forms of credit money and paper money. Marx characterized money in this form definition in connection with the exercise of specific monetary functions. He notes that "just as paper money derives from the function of money as a circulation medium, credit money has its natural root in the function of money as a payment medium."(48) "The various forms of money may better respond to social production at various stages which remove drawbacks the others cannot

cope with; none of them, though, as long as they are forms of money and as long as money remains an essential production relation, can abolish the contradictions inherent in the money relation; they can merely represent them in one or the other form."(49)

The differences between paper money and credit money do not touch on their representative nature as tokens of the money commodity gold.(5) Ranged in the historic process, both are forms of the replacement of real money (in other words the money commodity) by representatives of money, serve the economizing of money circulation. Paper money directly replaced gold in circulation. Credit had a dual effect on money circulation: By reciprocal settlements it avoided money altogether. It also spared gold in circulation by introducing the bill of exchange as an instrument of circulation and thus credit money. Tokens represent the money commodity, regardless whether they replace gold in the circulation directly or indirectly, whether they are covered by gold or commodities. No form of money is able to replace the money commodity gold in its function as a measure of values.

Both paper money and credit money underwent changes as the result of the full development of capitalist commodity production. The effect of these was the reciprocal adjustment of features. It is the external feature of this adjustment that only a single kind of token remains in circulation (described as bank notes). This may be freely converted from cash to deposit currency (and to some extent vice versa) and may also and interchangeably exercise all three money functions involved in money circulation. At a particular stage of development, neither money form was in practice convertible to gold any longer. Official compulsory force was required to make them acceptable and thus capable of circulating freely. Bank notes are subject to the law of money circulation developed by Marx. "Already when considering simple money circulation (Vol I, Chapter III, 2), I demonstrated that, taking the speed of circulation and the economics of payments as a given, the mass of the really circulating money is decided by the prices of the commodities and the mass of the transactions. The same law applies to note circulation."(51) Of special importance in this context is the additional remark by Engels that "nonconvertible bank notes (can) become general circulation media only whenever they are in fact backed by government credit...They are thus subject to the laws of nonconvertible government securities, which have already been developed."(52)

In contrast to the earlier trading money, bank notes no longer directly relate to a concrete commodity or commodity mass.(53) This general statement directly impacts the practical organization of money circulation in socialism. We may not imply that the existence of credit money guarantees the automatic coincidence of the actually existing and objectively necessary volume of money. Both the deposit currency issued by way of credit and the cash issued by the government in the form of notes and coins must be brought to coincide as per plan with the material funds available as to volume and structure. The volume of money does not automatically adjust to the sum total of prices and the circulation speed of money, either with respect to the circulation of credit money or the circulation of paper money.(54)

When we concretely examine GDR money circulation, we see quite clearly that the preponderant portion of money exists in the form of credit balances on bank accounts. As regards the general public, the ratio of cash to deposit currency now amounts to about 1 : 10. Money theoretical discussion currently assumes either directly or indirectly, that the uniform money circulation in socialism includes both cash and non-cash money. That applies to the characterization of money circulation in a larger and comprehensive meaning, for the characterization of the aspect of the movement of the exchange value of commodities confronting the movement of commodities. Upon the appearance of money as a payment medium, a process of differentiation began in the circulation of money with respect to the quality of the money appearing. The possibility arose for equalization of payments by which the movement of the exchange value for the respective portion of the commodities proceeded without the intermediary of real money ("reciprocal settlement of purchases and sales without the intermediary of real money"(55). When dealing with the function of money as a payment medium, Marx was very definite when he said: "In so far as payments balance one another as positive and negative dimensions, no intermediary of real money occurs. Here it develops only in its form as a measure of the values, on the one hand in the price of the commodity, on the other in the dimension of the reciprocal obligations. Except for its imaginary existence, therefore, the exchange value does not obtain an independent existence, not even existence as a token, or the money becomes merely an imaginary money for calculation purposes. It follows that the function of money as a payment medium includes the contradiction that it acts as an imaginary measure only if payments balance one another; on the other hand, whenever payment must really be made, it enters not as a disappearing circulation medium but as the steady existence of the general equivalent, the absolute commodity, in one word as money in circulation."(56)

Accordingly, if the exchange value lacks not only an independent existence but even existence as a token, it cannot appear as an element of the circulating money supply either. Marx takes this circumstance into account in his formulation of the law of the circulation of money, expanded by the function of money as a payment medium. He does so by deducting any payments balancing one another from the sum total of prices, thereby diminishing the actual money circulation. "The more massive the concentration of payments, the smaller--relatively speaking--the balance, that is the mass of circulating payment media."(57) The consequences arising therefrom have a dual nature. First of all we must note that the development of payments without the intermediary of real money directly affects the volume of the money circulating. To the extent that these payments rise (provided all other circumstances remain the same), the volume of money required for circulation declines. Secondly, these payments are not part and parcel of the circulation of money in the narrower (and real) meaning.

It is quite another matter that payments and settlements need to be managed according to plan and their volume decided according to plan, that they must be organized so as to be adequate for the movement of commodities at their origin. This aspect of money circulation in the wider meaning is intimately connected with the utilization of credit in socialism and represents the direct object of banking. Assuming this, it appears necessary to rethink the money-credit relation in socialism.(58) Earlier descriptions preponderantly assume that the money circulation of the national economy is composed of all

monetary funds and monetary relations (something without theoretical justification according to the above explanations), and that money is put in circulation by the grant of credits. The latter is also a debatable hypothesis, and we will briefly deal with it in the following.

In the discussion, the method of issue appears as the essential criterion of the classification of tokens among paper money or credit money. The champions of the credit money conception suggest that any money can get in circulation only by way of planned grants of credit; the advocates of the paper money conception start from the assumption that bank notes, while circulating as cash (and only in that case are they in fact bank notes), must be issued as paper money.(59)

In this context we must initially define the issue of money as such. The champions of the credit money conception speak of an issue function of credit as the "function for the creation of credit media of circulation (bank notes) and for the genesis of credit operations (entries in accounts)."(60) Accordingly they interpret issues of money not as an increase in the volume of money but as putting money in circulation in connection with the doubling of commodities in commodity and money. Howewver, when the grant of credit and the issue of money are deemed to amount to the same thing, we consider it a tautology to speak of the credit nature of the issue of money. This interpretation of the credit nature of the issue of money is due to mistaking the issue of money for the role of money in the reproduction process.(61) According to Marx, the circulation of commodities differs from the circulation of money. "At its first step in circulation, the first change of form, each commodity drops out of circulation, and a new commodity takes its place. In its capacity as a circulation medium, money on the other hand resides permanently in the sphere of circulation and permanently moves within it. The question therefore arises how much money this sphere permanently absorbs."(62) The formation of a monetary fund at a specific time and a specific place is not identical with the issue of money but merely the expression of a concrete stage in the circulation of money and commodity. "The replacement of commodity by commodity also lets the money commodity dangle from a third hand. Circulation permanently sweats money."(63)

In socialist conditions, too, money circulates without leaving the sphere of circulation. The formation and dissolution of monetary funds initially occur within the framework of the available money supply.(64) Basically the introduction of credit does not make any difference. When we are dealing with expanded reproduction which, in otherwise stationary conditions, requires more money for the circulation of a larger volume of commodities with a correspondingly larger price total, such money must be put in circulation by issue.(65) The increase in the necessary money supply is the basis of the potential growth of credit. Money circulation does not result from credit--the opposite is the case.

The genuine theoretical and practical problems of the planned organization of the money circulation are evidently not clearly recognized, let alone solved, by the simplistic characterization of money as paper money or credit money. We need to concentrate on the theoretical task of concretely studying the socialist money circulation and the features characterizing it, and to

classify the results in the process of the development of the representative forms of money. After that, we may tackle such concrete questions as that of the influence of the profound changes in the economy not on money circulation as a movement alone but also on the circulating tokens and their form changes. In this respect, several topical manifestations of practical import require theoretical interpretation and classification in the socialist money theory, such as

-- The increasing elimination of cash by deposit currency,

-- The differentiation of the types of payment media,

-- The growing technical opportunities for the "dematerialization" of the money circulation, for example by electronic clearing without vouchers.(66)

In this context, the monetary theoretical discussion also assumes considerable importance for the organization of future monetary theoretical research.

FOOTNOTES

1. "Oekonomische Strategie der Partei - Klares Konzept fuer Weiteres Wachstum" [The Party's Economic Policy - A Clear Concept for Further Growth], Dietz Verlag, Berlin 1983, p 56.

2. See K.Marx/F.Engels, "Collected Works," Dietz Verlag, Berlin 1956-1968, Vol 23, p 128 (footnote).

3. "Principles and Objectives of the Socialist Unity Party of Germany," in "Zur Oekonomischen Politik der Sozialistischen Einheitspartei Deutschlands und der Regierung der Deutschen Demokratischen Republik" [On the Economic Policy of the SED and the GDR Government], Dietz Verlag, Berlin 1955, p 58.

4. On the functions of money see K.Marx/F. Engels, "Collected Works," as before, pp 109ff.

5. See W.Galchinsky/V.Afanaseev, "Marx on the Development of Money Relations": "One of the methodological key problems at the present standard of research is the question of the relation between the specifics of monetary forms and the substance of monetary functions, the theory of which has not yet been adequately refined." VOPROSY EKONOMIKI, No 5/1984, p 6 (in Russian).

6. Y. Kronrod, "The Functions of Money and Their Role in the Economy of Socialism," DENGI I KREDIT, No 5/1979, p 20 (in Russian).

7. K.Marx/.F.Engels, "Collected Works," as before, Vol 37, p 489.

8. Ibid, Vol 23, p 109.

9. K.Ahrends, "The Social Necessity of an Economic Appraisal of Natural Resources in the Developed Socialist Society," in "Beitraege zur Theorie

der Warenproduktion und des Wertgesetzes des Sozialismus" [Contributions to the Theory of Commodity Production and the Law of Values of Socialism], Bruno Leuschner College of Eclonomics, Berlin 1983, p 53.

10. O. Reinhold, "On the Growing Dynamism of Our Economic and Social Development,: EINHEIT, No 1/1984, p 83.

11. "Nach Neuen Massstaeben die Intensivierung Umfassend Organisieren. Seminaristische Beratung des Zentralkomitees der SED mit den Generaldirektoren der Kombinate und den Parteiorganisatoren des Zentralkomitees am 8. and 9. Maerz 1984 in Leipzig" [Comprehensively Organizing Intensification by New Criteria. Seminar and Discussion by the SED Central Committee with the General Directors of Combines and the Central Committee Party Organizers on 8 and 9 March 1984 in Leipzig], Dietz Verlag, Berlin 1984,. p 27.

12. P. Danek, "The Significance of Marx's Monetary Theory for Politico-Economic Studies of Money at the Present Time," WISSENSCHAFTLICHE ZEITSCHRIFT DER MARTIN-LUTHER UNIVERSITAET HALLE_WITTENBERG, Sociological and Linguistic Series, No 2/1983, p 76.

13. K.Marx/F.Engels, "Collected Works," as above, Vol 13, p 57.

14. Ibid, p 54. "The necessity of establishing an amount of gold as a unit of measurement and aliquot parts as subsections of this unit, has produced a perception of a specific amount of gold (which of course has a changeable value) having a fixed value relation with the exchange values of the commodities. Overlooked in this instance was the fact that the exchange values of commodities were transformed into prices, amounts of gold, before gold became the yardstick of prices." (Ibid, p 55).

15. See K. Kolloch, "On the Role of Gold as Money Commodity and on Its Significance in the International Currency Relations of Capitalism and Socialism," WIRTSCHAFTSWISSENSCHAFT, No 8/1980; F. Latka, "Once Again on Some Theoretical and Practical Issues of Commodity Production and Money in Socialism,:" ibid, No 6/1983; D.Fuchs/H.-J.Lotze/D.Schellbach, "On the Role of Gold as Money Commodity in Socialism," ibid, No 11/1982; U.Hoffmann, "On the Function of Credit Money as a Measure of Value," ibid, No 10/1981.

16. Cited in K.Marx/F.Engels, "Collected Works,: as before, Vol 13, p 62.

17. Ibid, p 63.

18. Ibid, Vol 42, p 75.

19. See, among others, K.Kolloch, as before, p 924; D.Fuchs/H.-J.Lotze/D.Schellbach, as before, p 1687.

20. Seventh SED CC Plenum, E. Honecker, "In Kampferfuellter Zeit Setzen Wir den Bewaehrten Kurs des X.Parteitages fuer Frieden und Sozialismus Erfolgreich Fort" [In a Time of Struggles, We Are Successfully Continuing to Pursue the Tried and Tested Policy of the Tenth SED Congress for Peace and Socialism], Dietz Verlag, Berlin 1983, p 32.

21. See, among others, collective of authors, "Geldzirkulation und Kredit in der Sozialistischen Planwirtschaft" [Money Circulation and Credit in the Socialist Planned Economy], Verlag DIE WIRTSCHAFT, Berlin 1976, p 28.

22. "The value measurement proceeding by price formation is complemented by a steady exchange, mediated by money representatives. These representatives answer to calculating names of the money commodity as an expression of the measure of prices. From there it is but a short step to mentally equate the price measures (dollar, marks...) with 'money' in the shape of particular symbols. That certainly happens in the daily use of these symbols by buyers and sellers but represents merely a superficial perception which is out of place in a scientific analysis" (P.Danek, as before, p 79).

23. K.Marx/F.Engels, "Collected Works," as before, Vol 23, p 124.

24. "Convertibility to gold and silver, therefore, is the practical touchstone for the value of any paper money which derives its denomination from gold or silver, whether the paper is or is not legally convertiblke. A nominal value merely acts like a shadow next to its body; whether the two coincide needs to be demonstrated by their genuine convertibility (exchangeability)." (Ibid, Vol 42, p 68).

25. "However, the token requires its own objective social currency, and the paper symbol obtains this by the compulsory rate of exchange." (Ibid, Vol 23, p 14.)

26. "In its capacity as mere circulating medium, we may say that money ceases to be a commodity (specific commodity) because its material does not matter, and it then merely satisfies the requirement for exchange as such, no other immediate requirement: Gold and silver cease to be commodities as soon as the circulate as money." (Ibid, Vol 42, p 143).

27. Ibid, Vol 23, pp 143ff.

28. Ibid, p 145.

29. Ibid.

30. Ibid, Vol 24, p 88.

31. Ibid.

32. See K.Steinitz/H.Schilar, "Some Problems of Value Formation and Realization in Connection with the Development and Use of Microelectronics," WIRTSCHAFTSWISSENSCHAFT, No 10/1983, pp 1513f.

33. Ibid, p 1517.

34. Kronrod, Anikin, Dalin and others compared the price dynamism of gold and normal commodities in fairly long periods of time. They demonstrated connections (see E. Friedemann, "On Some Problems of the Money Commodity Gold

in Present-day Capitalism,"WIRTSCHAFTSWISSENSCHAFT, No 4/1983).

35. K.Marx/F.Engels, "Collected Works,: as before, Vol 13, p 120.

36. Ibid, Vol 24, p 347.

37. See "Statistisches Jahrbuch der DDR 1984" [1984 GDR Statistical Yearbook], Staatsverlag der DDR, Berlin 1984, p 257.

38. See K.-H.Stiemerling, "The Active Role of Money in the Planned Utilization of the Economic Laws of Socialism for the Efficient and Proportional Organization of Intensively Expanded Reproduction," in "Money in Intensively Expanded Socialist Reproduction," Materials of the Scientific Conference held at Humboldt University, Berlin, 15-17 November 1983, pp 10ff.

39. See "Decree on the Regulation of the Payments System - Payments System Decree - of 13 October 1983," GBl I No 30/1983.

40. See K.Marx/F.Engels, "Collected Works," as before, Vol 23, p 153.

41. See A. Galchinsky, "The Mechanism of the Realization of the Money Function of the Measure of Values," MIROVAYA EKONOMIKA I MEZH OTNOSHENIYA, No 7/1980 (in Russian).

42. K.Marx/F.Engels, "Collected Works," as before, Vol 42, p 134.
43. D.Fuchs/H.-J.Lotze/D.Schellbach, as before, p 1687.

44. K.Marx/F.Engels, "Collected Works,: Vol 23, p 114.

45. See H.Marx/F.Matho/U.Moeller/G.Schilling, "Economic Accounting," "Lehrhefte Politische Oekonomie des Sozialismus" [Textbooks Political Economics of Socialism], Dietz Verlag, Berlin 1981, p 137.

46. See V.Galchinsky/V.Afnaseev, as before.

47. K.Marx/F.Engel, "Collected Works," as before, Vol 25, p 532.

48. Ibid, Vol 23, p 141.

49. Ibid, Vol 42, pp 58f.

50. "It should not be forgotten, though, that, to begin with, money--in the form of precious metals--remains the foundation, and that, in the nature of things, the credit system can never break loose from this." (Ibid, Vol 25, p 620)

51. Ibid, p 538.

52. Ibid, pp 539f.

53. "Is there anything more insane than, for example, the Bank of England 1797-1817, the notes of which have credit from the government, and which then

gets paid by the government, in other words the general public, in the form of interest payments for government borrowing- paid for the power the government assigns it to change these same notes from paper to money and then lend them to the state?" (Ibid, pp 557f); see K.Mueller, "Once More on the Role of Gold and Paper Money in Modern Capitalism," WIRTSCHAFTSWISSENSCHAFT, No 4/1981.

54. We must here contradict H.Schmidt who asserts that the proclamation of money circulation as the circulation of paper money is equivalent to the proclamation of a kind of metal circulation (see H.Schmidt, "Money in the Planned Assurance of the Unity of Use Value, in Value and Monetary Processes for the Assurance of the Growth and Stability of Intensively Expanded Reproduction," in "Money in Intensively Expanded Socialist Reproduction," as before, p 44.)

55. K.Marx/F.Engels, "Collected Works," Vol 24, p 327.

56. Ibid, Vol 13, p 122.

57. Ibid, Vol 23, p 151.

58. Marx basically distinguishes between money and credit, characterizing credit operations as a process for the mediation of payments without money--, "where by means of book credit, the transaction takes place without any expenditure of notes, in other words a mere credit transaction settles the payments." (Ibid, Vol 25, p 475)

59. See A. Lemnitz, :On Some Theoretical and Practical Issues of Commodity Production and Money in Socialism," WIRTSCHAFTSWISSENSCHAFT, No 12/1981, pp 1433ff.

60. Collective of authors, "Money Circulation and Credit...,"as before, p 70.

61. See A. Lemnitz, as before.

62. K.Marx/F.Engels, "Collected Works,: Vol 23, p 131.

63. Ibid, p 127.

64. "The volume of gold, therefore, which circulates the annual product, is available in society, has been gradually accumulated." (Ibid, Vol 24, p 473)

65. Issue interpreted as the increase in the money constantly in circulation.

66. See V.Drosdov, "The Evolution of Money and the Monetary System of Capitalism," EKONOMICHESKIYE NAUKI, No 7/1978 (in Russian).

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ASPECTS OF INNER CITY UNDERGROUND CONSTRUCTION DISCUSSED

Construction Conference Cited

East Berlin BAUZEITUNG in German Vol 39 No 8, Aug 85 p 344

[Article by Prof. Dr. H. Elze, P.E.: "The Contribution of Underground Work to Inner City Construction"]

[Text] The Eighth Construction Conference of the SED Central Committee (CC) and the Council of Ministers of the GDR praised the considerable past accomplishments of the construction industry. This industry realized the decisions of the Tenth SED Party Congress as it shaped the developed socialist society in the GDR, continuously promoted the proven policy of the primary assignments, and effectively engaged in the struggle for the securing of peace.

The Eighth Construction Conference's decisions, which set much higher targets than before, are an important contribution to the worthy preparation for the Eleventh SED Party Congress. It is now as in the past the declared goal of the Socialist Unity Part y of Germany to complete the apartment construction program, begun with the Eighth Party Congress, by 1990. All construction people in our republic are taking part in this with manifold initiatives and high preparedness to work. And the members of the C hamber of Technology (KDT) are no exception. The construction, in the most favorable proportional mix of new construction, reconstruction, modernization, and maintenance, is taking place more and more in the inner city areas. This completely corresponds to the economic strategy of the Tenth Party Congress which is directed toward intensification. Contributing towards that is a high social obligation for the socialist engineering organizations of the GDR, the KDT, and its Construction Technical Associat ion.

Unlike any other construction operation, inner city construction takes place under the observation and with the participation of the public. Inconvenience and aggravation must often be tolerated. This requires from the construction industry that inner city construction must be more efficient, with shorter construction times, with less political-economic effort, and with interesting and urbane solutions. It is necessary to continually build with great effectiveness, productivity, and quality, using the experience of the best.

Underground construction plays a special role in that. Given the restricted and complicated situations of the inner city areas, the work in subterranean sites must be carried out sometimes before and sometimes concurrent with the building construction, depending on the technology involved. Certain tasks can only be completed after the building construction is completely finished. To this extent a great responsibility lies with the excavators to attain the optimal results in inner city construction in both timeframe and space, and with qualified, prepared construction procedures. Here, as in the entire field of construction, it is a matter of the qualitative factors for a dynamic development of achievement and effectiveness.

The present issue of BAUZEITUNG should relate experiences of this subject. It represents a contribution of underground construction to inner city building, in interpretation of the Eighth Construction Conference of the SED CC and the Council of Ministers of the GDR. The initiative and long-term preparation towards that end is a result of the obligation of the Central Technical Section for Excavation (ZFS Tiefbau) of the KDT's Construction Technical Association to make valuable preparations for the Eleventh SED Party Congress.

Some contributions to this issue were conference topics of the Second Information and Experience Exchange of the ZFS Tiefbau with the Operations Section of the VEB Excavation Conglomerate Berlin's Chamber of Technology. We thank the Chairman of the technical subcommittee "Urban Technical Development" and the Deputy Chairman of the ZFS Tiefbau of the KDT's Construction Technical Association, Dr. Baertel, P.E., for the preparation of these contributions.

The KDT's Construction Technical Association wishes the excavators further success in preparation for the Eleventh SED Party Congress.

Chamber of Technology
Construction Technical Association
Prof. Dr. H. Elze, P.E.
Chairman

Problems With Construction, Infrastructure

East Berlin BAUZEITUNG in German Vol 39 No 8, Aug 85 pp 344-346

[Technical Paper by Dr. Andreas Schirmer, P.E., KDT, and Frank Wache, P.E., Bureau of Excavation, City of Dresden: "Aspects of Inner City Apartment Construction with Respect to Urban Infrastructure Development and the Complex Use of Underground Construction Areas"]

[Text] New Requirements in Inner City Site Planning

Unlike new apartment complex construction on large sites, where the complete new construction of infrastructure supply systems and facilities on open space

can be planned and prepared in conjunction with urban planning concepts without complicated periphe ral conditions, there are numerous restrictions in inner city construction as a result of the existing extensive use of subterranean and surface areas.

The existing supply networks, their broad maintenance and intensive utilization, and the planned improvements to the infrastructural capacity standards require great efforts in planning and preparation. The necessity of thorough analysis of the condition of infrastructural supply systems with respect to condition, functional and performance capacity, expandability, and the economically justifiable service life pays off for the urban area as a whole because of the necessity of increased intensification of capital reproduction.

Example

The reconstruction of several sections of the steam heating system in the central area of the City of Dresden was planned. New apartment construction in the 1986-1990 timeframe is increasingly oriented toward the center city, based on centrally-made deci sions. As shown in Figure 1, one site was selected for a 400-unit complex. This conflicted with a steam line consisting of two DN 200 and one DN 250 conduits, which was to be reconstructed. The first preliminary plans had the line running in the baseme nt areas and between the buildings and the streets, but because of the need to take the lines out of service, due to the technology involved, and because of the size and number of the pipes, it was impossible to feed the pipes into the proposed line. The arrangement of the individual steam lines in front of the proposed building was a problem because of the existing subterranean site conditions and the constructicn technology employed. Together with the power company, new solutions were sought which wou ld on the one hand allow for the new apartment construction, and on the other hand would provide guaranteed center city customer service.

Figure 1. Reconstruction of the steam heat lines in conjunction with an inner city apartment construction site.

As a result of the operations and construction investigation, the following solution was chosen (Figure 1):

- Cancellation of the planned reconstruction of Segments A-B and C-D
- Construction of a new cross-connection in Segment D-F, in order to maintain service
- Reconstruction of the Segments B-C and D-E as per the previous proposals.

The cost thereby was able to be reduced by M 2.5 million.

Intensive Use of Underground Space

In inner city construction, special problems arise from the intensive use of the limited available space both above ground and below.

Optimal utilization and management of subterranean construction areas requires a thorough awareness of future needs, long-term and stable planning for surface area utilization, and the willingness of all involved to apply economically effective solutions.

The area and space requirements raised by the city planners (general construction plan), transportation planners (general traffic plan), the urban infrastructure organizations (infrastructure supply plan), and the parks planners (the "Great Green Concep t") considerably exceed the area available in inner city areas. This requires early agreement and coordination of building offset lines and street rights-of-way, in consideration of the existing and proposed alignments of the underground sites and the es tablished principles of order.

The indispensable aid in this work is the Master Line Chart which is produced by the underground bureaus. This documents the entire underground situation on a 1:500 scale, and must be available even at the early planning phase. Because of their sheer size, significance and long lives, the facilities and networks of the infrastructure supply represent a considerable portion of the constructed substance of a city, and are structure-forming elements of city construction.

Still all too often, decisions concerning surface area use are made which could have grave consequences because of lack of knowledge of the existing alignments of the underground facilities, and because of underestimating the signifigance and the economic value of infrastructural supply systems.

Example

A broad street realignment and the new construction of social facilities was planned for a representative inner city area (Figure 2). Extensive utility line systems were designed and built on the basis of these approved long-term plans. Later considerat ions of urban construction in conjunction with the inner city apartment construction required the changes in the previous ideas concerning traffic. They had lead to the situation where 8 to 15-year-old underground supply lines would be covered by buildin gs (Figure 3). Because of the dimensions of the supply lines, the overall line width of 13 to 20

feet, and because of still unresolved technical problems, the complete salvaging of the system is probably not possible. A 25-year-old steam line consisting of two DN 500 conduits was previously supposed to run under a proposed parking lot and was correspondingly sized. The new traffic alignment necessitated moving the line for a length of approximately 1,000 ft, although use of the existing line was possib le after the year 2000, given its condition.

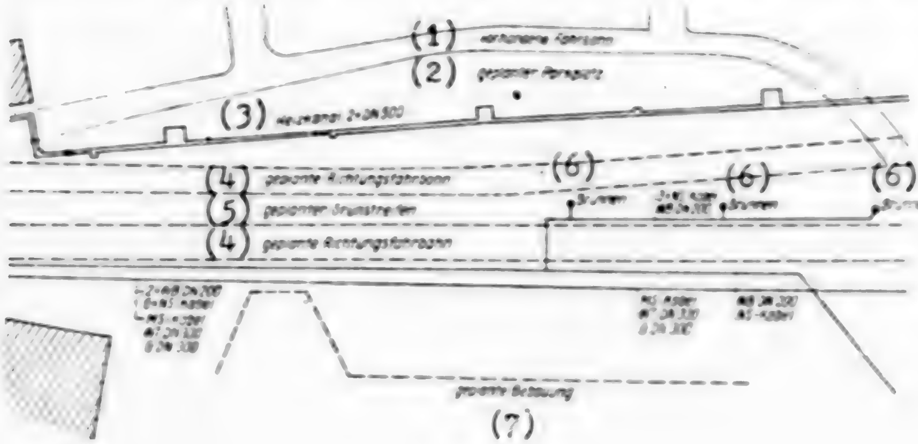

Figure 2. Existing Utility Line Alignment According to Old Preliminary Plans
Key: 1. Existing Street
2. Proposed Parking Area
3. Steam Line - 2 DN 500 conduits
4. Proposed Directional Roadway
5. Proposed Grass Median Strip
6. Fountains
7. Proposed Construction

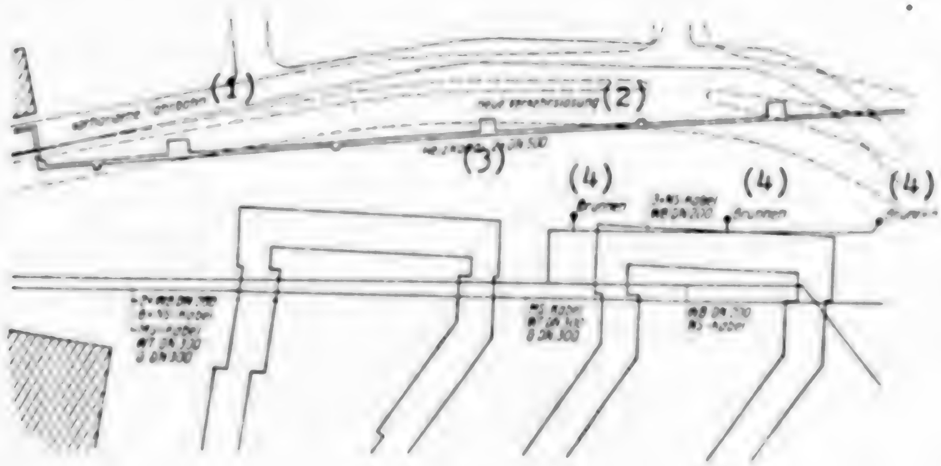

Figure 3. Utility Line Situation After Modification of the Traffic and

Construction Proposal
Key: 1. Existing Street
2. New Traffic Proposal
3. Steam Line, 2 DN 500 Conduits
4. Fountains

Keeping Utility Rights of Way Uncovered - A Mission of Future Significance

In conjunction with inner city building, in other words, with the congestion of the inner city areas, it is becoming increasingly important to analyze and make long term plans for site conditions when it comes time for reconstruction of underground supply systems. This requires long-range decision making for the reservation of clear-cover rights-of-way for future large-scale main lines and for pipes, cables and conduits which are to be replaced, and for new as well as expanded infrastructural facilities.

Corresponding prerequisites must be made given the infrastructure development strategy over the long term, and given the utilities' system plans with which to work.

Starting with the existing supply systems' capacities and the projected demands on the systems, given the overall urban area apartment construction and industry development, construction necessary to expand the urban infrastructure must be planned in a ti meframe of 10 to 15 years in advance 1. Corresponding general guidelines out of the general construction plans are necessary for this. As a result of the network proposal, numerous investigations and agreements will be required concerning the alignment of the primary network and the facilities conditions 2,3. The solutions reached based on these guidelines should be confirmed as clear-cover rights-of-way and reserved areas, and other plans should yield to these reference points.

Along with the plan of permanent main corridors, they form an important part of the urban infrastructure supply system.

Of considerably more significance than before is the evaluation of existing underground supply networks and facilities. The reproduction of these physical infrastructural resources is a task which, to an increasing degree, on the one hand underlies comp licated controlling conditions, and on the other hand requires complex solutions. The analysis of underground supply nets with respect to function, capacity and condition as well as the estimation of secondary uses as salvage value are important prerequi sites 4. Above all, the entire complex of wearing behavior (of the physical plant) is to scientifically stand out more for the determination of the remaining economically feasible (system) life.

This means greater demands on the public utilities for long-term conceptual analysis and planning activities, and for data collection and processing, as they are the legal owners of the urban infrastructural supply systems

Results of great informative value are achievable, as with the example of the existing central "Water Supply System" databank, which is being enhanced. The processing of the stored database for a Dresden inner city construction area brought forth new understandings of the economically expedient remaining

service life of the existing physical plant, the needed reconstruction requirements, and the necessar y maintenance measures 5. To achieve the desired analytical results out of the "Water Supply System" databank, unusually comprehensive, accurate and complete data collection is needed, according to the needs of the computer program. Use of this databank in the complex existing-conditions analysis in the concept proposal phase (as per reference 6) represents an effective method. A reduction in the turn-around time to get usable results is of course necessary.

Similar analytical procedures are to be developed immediately for the other kinds of supply systems.

Next to the above-mentioned salvage value, the evaluation of the complex alignments for the various lines (right-of-way value) is important base information in the process of the general building planning, given the land's contents and the possibility of building on utility rights-of-way in accordance with reference 1. With the abandonment of right-of-way as a result of building or transportation construction activities, there are demands on the reserved underground construction areas, which despite usin g every possible realignment in basement and back-yard areas can be considerable.

Development Expense of Inner City Locations

Prior experience in planning inner city apartment construction in Dresden clearly shows that the initial (primary) investment required to develop an area with respect to the infrastructure drops off significantly compared with that required for large ext ensive sites.

This is especially so when inner city construction is conscientiously planned so as to utilize the capacity of the (existing) underground supply systems. Minimal expenditure is required for site development of the urban infrastructure systems.

Comparison of the "New Apartment Construction" site proposals for the 1986-1990 construction period developed in 1980 and 1984 show a reduction in the cost of providing services to the sites, from approximately M 64 million to M 30 million, when there was a considerable reduction in the percentage of new apartment construction planned for previously undeveloped land. Effective infrastructure development proposals can be worked out for these inner city sites, if a thorough consideration of all forms of ap artment construction and uniform planning and preparation in accordance with the recommendations in reference 6 is used.

Example

The trial use of various types of apartment const. uction which did not require heating from an outside source was being planned for an inner city site. The measures necessary to tie into the existing utility were being planned taking into consideration t he modernization of neighboring old structures, and the development plans for urban development for the entire area.

Using the number of new apartments as a basis for calculating the cost of providing service to the apartments, the cost was higher than the average cost of providing those services to new complexes. This began a discussion of just how cost-effective inne r city building was. Cost comparisons using all forms of apartment "reproduction" (new construction, rehabilitation or modernization) yielded completely different results. Direct planning, preparation, and implementation of new construction activities a long with those of repair and quality improvements of existing buildings is a prerequisite for achieving these economies. That was not the case at the site in consideration which lead to "throwing away" money through repeated construction in one corridor .

With inner city construction, the separation of primary and secondary construction (new construction vs. repair or rehabilitation or replacement of existing structures) analogous with the extensively-developed areas no longer makes sense, in planning, imp lementation, or in programming the overall expenditures for the infrastructure development. Inter-utility and long-term planning for the reproduction of physical structures in their entirety is a prerequisite for reducing the cost of excavation work and utility links. Revision and working out detailed agreement between the various development plans (the general construction plan, general traffic plan, infrastructure supply plan) plays an important part in that.

Important foundations towards that end are created with the publication of the planning regulations and guidelines of reference 4,6.

Need For Coordination Stressed

East Berlin BAUZEITUNG in German Vol 39 No 8, Aug 85 pp 366-368

[Technical Paper by Dr. Mathias Werner, P.E., KDT, Technical University of Dresden: "Experiences and Problems of Coordinating Underground Work in Inner City Construction"]

[Text] Assignment for the Underground Coordinating Agencies Concerning Inner City Construction

The comprehensive orientation of construction is towards the inner city areas, with new construction, reconstruction, modernization and repair work. This construction places new demands upon all organizations and establishments involved in the preparatio n and implementation, because of the complicated inner city conditions.

In moving the greater part of construction activity from the urban peripheries to the central and developed areas, the amount and complexity of the necessary excavation operations in these areas has increased in comparison to construction activities of pa st years.

Even when a large part of the existing infrastructure networks and facilities can be used, additional operations for re-setting lines are required. This is particularly the case with the steam generation, water supply, and mid- and low-voltage electrical service. Special conditions of inner city building are

characterized by, among other things, tight working conditions where most of the existing infrastructure networks and facilities must be kept operating to allow social life to function. These condi tions make it imperative to effectively use underground construction areas, materials, and capacities, with minimal construction and detour times.

For that reason, site and schedule coordination of excavation operations and the construction and implementation of a utility line right-of-way register, which is a basis for the operations, have a special signifigance 7,10.

Responsibility for this lies with the Excavation Bureaus formed in 1972 and the GDR district (Bezirk) Capital Cities Excavation Coordination Departments. The only similar offices at the county (Kreis) level are in Dessau and Eisenhuettenstadt. It is the job of the excavation coordination departments to, among other things, recognize coordination problems early enough and to work closely with the property owners, planning organizations and construction contractors. The agencies are to work out and above all carry out proposed solutions which correspond to the special local conditions and the above mentioned requirements.

In the interest of detailed preparation and thorough agreement, these coordination assignments must already be recognized and developed at an early time, in the framework of longterm planning, when possible 8,9.

Inner city construction poses a new dimension now and in the immediate future for the coordinating agencies, in the area of time scheduling and site coordination. That is because it is through coordination that the technical solutions and thereby the tot al economic effort can be decisively affected.

When one compares inner urban sites and large extensive sites with each other, the different importance of scheduling and site coordination becomes apparent. Whereas at the large sites the scheduling coordination represents the larger problem, the situat ion changes in the inner city areas because of the many restrictions which have to be observed, such as: - Area fragmentation, and the resulting dependence upon bordering areas, - Highrise buildings, infrastructure networks and facilities which already exist and are to be retained, - Tight working areas, - The necessity of maintaining social life which includes daily utility service for citizens, commercial and industrial facilities, - Measures necessary to maintain infrastructure supply and traffic in the entire city, independent of the construction area.

It is not so much a priority of combining various utility lines in one right-of-way, but rather a matter of the optimal use of an open underground construction site and the derivation of least expensive technical solutions corresponding to the local condi tions; that is, a matter of complex site coordination concepts.

Naturally, scheduling of individual construction activities remains an important aspect in the implementation of the solution which was worked out.

A well functioning socialist community effort between the contracting agencies, project and construction contractors and the owners of the existing

utility systems and transit facilities under the direction of the excavation coordination departments is es sential for successful coordination.

As experience shows, the realization of rational coordination solutions represents an even larger problem in practice. Some examples from Leipzig (the author was the Director of the Excavation Bureau, Leipzig, until the beginning of 1985) which are typic al of inner urban building should be shown to demonstrate the special conditions and the possibilities related to effective site coordination.

Example of Coordination Between the Traffic Bureau and the Excavation Bureau in Leipzig

Normally required streetcar track maintenance represents a special problem for the underground utility expansion work to be completed in the next few years in the inner city areas. This problem can only be overcome through comprehensive time scheduling a nd location coordination. The problem is made even more difficult with the multi-layered underground alignment in this area. Excavation across the track structure must be avoided in the years immediately following track repair work, because of the constr uction time and the maintenance and protection of traffic (detour) expenses. The increase in overall expense and the traffic hinderances would not be acceptable.

One problem in these cases is often the fact that the activities to be coordinated are on different schedules and are in different stages of preparation.

In track construction, the condition of the track structure and travel safety is the controlling factor, whereas for example the activities involved with new utility work is oriented towards the main scheduling plan and "Primaerharmonogramms" deadlines.

There is still no patent solution to these kinds of problems at this time. A comprehensive coordination process was quickly prepared and run by the Excavation Bureau here in Leipzig in 1983, with broad based participation of all involved. Excavation cos ts, and the other construction and detour times which were required for the individual projects were minimized through detailed scheduling and site coordination, which achieved greater economic benefits for the money.

In conjunction with the track reconstruction which had become urgently needed in one Leipzig traffic sector, there was the problem that in the construction site, which had to be completely closed off to the streetcar and individual traffic anyway, the (ut ility) line crossings and reconstruction which was not yet required for bordering rehabilitation and new construction areas until later years now had to be considered.

Because the safety risk involved, postponement of the track re[illegible] was not possible. Therefore, the utility work had to be moved ahead in [illegible], in the interest of economy.

For this reason, the Excavation Bureau brought all the utility concerns, the Leipzig Transit Company and the City Bureau of Public Streets, together to schedule in conjunction with the track construction all excavation measures which would be necessary in the next few years, and to undertake any possible reconstruction in the work area which had not previously been planned.

In detail, the following additional work was scheduled along with the track repair: - Two concrete-encased DN 800 conduit pipes for future steam heat main lines for Leipziger Ostvorstadt, - two concrete-encased DN 500 conduit pipes for a steam line in the framework of the substitute energy program, - sixteen DN 150 conduits for expanding the (mid-voltage) electricity supply, - moving and pressurizing a DN 500 gas line in the steam line area, - reconstruction of 21 telecommunications conduits in the street area, and the additional construction of new manholes and relaying of telecommunications lines in the area where they cross the steam line, - moving the street lighting cables and removal of the old gas street lighting in the construction area, and - street reconstruction.

Because of planned public activities ("social highpoints"), the original schedule for placing the streetcar line back into service open to the public absolutely had to be maintained. The ground rule for the project coordination was, therefore, that the c onstruction procedure for the trackwork could not be disturbed.

This demand was particularly restrictive for the steam line crossing. Originally, it was going to be laid very deep because of the number and location of many utility lines. In order to keep the prescribed schedule, a less extensive solution had to be f ound on short notice. The illustrated alignment variation could only be derived with the cooperation of the involved utility line owners. Operational and technical requirements for cover around the lines and traffic facilities were a factor, as was a sm ooth construction operation which had to consider the depth of those uncovered lines.

Some points of conflict and further major line resetting were avoided with the use of a very shallow alignment and a correct grade for the outer conduits. An encroachment into the clearance of an arched sanitary sewer main line was permitted by the owner of that line after the Excavation Bureau demonstrated in calculations that the opening reduction had a negligible effect on the sewage flow characteristics in the area. Permission to do this was essential for construction of this alignment (Figure 4).

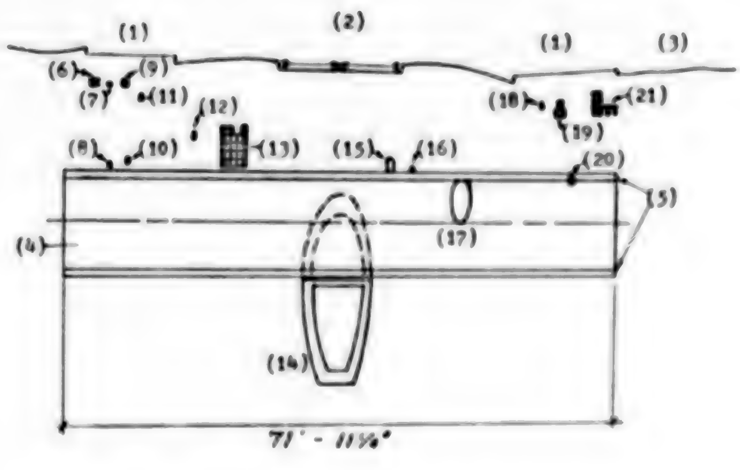

Figure 4. Schematic Diagram of a Steam Line Crossing with Minimal Realignment

Expense
key: 1. Sidewalk
2. Street w/ Streetcar Tracks
3. Front Garden
4. Cover Conduit - 2 NW 800 Pipes
5. Concrete Encasing
6. Electric Cable
7. LVB Cable
8. Gas Line, NW 150
9. 1 Conduit Comms Line
10. WT Line NW 100
11. Cable
12. LVB Cable
13. 19 Conduit Comms Line
14. 1300mm by 1715mm Sewer Line
15. WT Line, NW 283
16. WT Line, NW 95
17. Gas Line, NW 500, Cut Off
18. SB Cable
19. 3 Conduit Comms Line
20. Gas Line, NW 150
21. Low Tension Electric Cable

Despite this solution, some resetting work was necessary. It had to be checked in advance that resources were available to do the work. With the utilization of every possible use of space a construction solution to the problem was found, which was only possible with scheduling coordination.

Determining the coordinating plan was assisted with an objectives competition, in which all the participants took part: the transit and excavation company's construction outfits, the Leipzig Transit Company, the electricity utility, the communications co nstruction group, the City Lighting State Enterprise, and the City Bureau of Public Streets. The basis for the common work was the detailed and comprehensive construction activity schedule which was worked out by the Excavation Bureau.

There was no contracting agency and no prime contractor, so the Excavation Bureau had to adopt the function of coordinating construction direction for the combined construction.

Very good results were achieved in the translation of this coordination operation into practice.

A similar coordination operation was successfully prepared and concluded in 1984 in the same area.

Once again, track reconstruction which had originally been scheduled for a later date had to be moved ahead because of the bad condition of the track structure. Even in the case of a minor street as in the example, numerous utility connection activities for future inner city transformation areas had to be considered: - two concrete-encased DN 800 conduits for extension of the steam heat main lines, - 40 conduits for electrical supply for the area, - two 4-line shaped brick channels for electrical supply, - four PE pipes and a 4-line shaped brick channel for telecommunication needs, - 13 pipes for residential water service, - four conduits for network connections for a new utility yet to be laid, - one conduit for gas supply, - street widening in one section, - the resetting of a DN 200 water supply line parallel to the trackwork for a 1,600 foot segment, - scaffolding work in a modernization project.

After exploratory work in the manholes and through the main storm sewer collector, the Excavation Bureau was able to determine the location and functional capacity of the former residential connections, and the construction of a new drainage connection wa s able to be avoided for a building which is to go up in the next few years.

As a result of capacity and technology problems - the trackwork construction could not be completed until the second half of the year - the combined work had to be divided into three segments.

Track construction and all the track crossings constituted the first phase, while the water line resetting, residential connections and network connections represented the second phase, to be completed in the first half of 1985. The third stage represent ed the alleviation of roadway encroachment problems with the scaffolding for the modernization project. Upon suggestion of the Excavation Bureau, a coordination schedule was concluded between the main participants in this work for the first part of the c oordination operation, in order to safeguard the entire operation. The Leipzig Transit Company functioned as the contracting agency, the Traffic and Excavation Combined Enterprise served as the prime contractor (HAN), and various enterprises worked as su bcontractors (NAN). The Excavation Bureau sacrificed much time to carry out the coordination in the preparation and construction phases.

It was clear from this example that the securing of additional capacity (manpower) has quite a significance. In general, the closer that coordination requirements have to be met, the larger the economic and contractual problems are. In any case, complet ion of the coordination phase in the second half of the year was delayed, which was much more unfavorable than in the first case mentioned. The construction outfits were generally unwilling to adopt any additional work, and would only do so in exchange f or bartered goods. As a rule, such demands can not be met, as a result of the other activities already underway.

In this case, in order to adhere to the given plan schedule, they had to partially fall back on the option of using workers in additional paid activity according to GBI, Part I No. 35 from 1975.

The first stage of the coordination operation could be successfully concluded with adherence to the trackwork schedule.

Fundamentals and Prerequisites for Effective Coordination of Excavation Work in Inner Urban Construction

Experience gained in recent times in location and time scheduling of traffic construction plans and infrastructure expansion leads in summary to the following fundamental demands as prerequisites for effective excavation coordination.

1. Longterm consistent planning for urban transportation and infrastructure, with time and location proposals;

2. Efficient progress in the building and the acquisition of right-of-way by the utility's right-of-way bureaus, for early location planning and the direction of coordinated operations, particularly in the Bezirk capitals;

3. Preparation of detailed information on the condition and exact location of existing lines and cables of a utility company;

4. Work on the location and scheduling coordinated operations by the excavation coordination agencies, on the basis of urban construction, traffic, and infrastructural requirements and dependencies;

5. In special cases, an effective time and site coordination requires the preparedness on the part of the utility and transit enterprises to use exceptional work rules in lieu of the current standards and operational requirements;

6. The insuring of a unified preparation with the operators of the city supply systems, the transit agencies, the construction groups and the territorial governing bodies and the contracting agency;

7. Fine-tuning of the coordination plan for excavation activities under active participation of the working transit, construction and utility organizations;

8. Confirmation of the coordination concepts and the necessary scheduling by the coordinating agency, the utility organization, the construction and transit operations and the territorial governing bodies

9. Assigning of clear responsibilities for the preparation and execution of the coordinating activities; 10. Coordination concepts which are in immediate conjunction with new apartment construction and modernization locations are to be incorporated into the "Primaerharmonogramm."

The experience gained in the recent years not only in Leipzig but also in other Bezirk capital cities confirms that in the preparation and confirmation of such coordinated operations, new ways have to be taken because of their increased importance.

The translation of the above mentioned requirements can therefore not only be carried out in the form of extra-organizational socialist community work, but demands above all the actualization of the legal requirements for excavation coordination 7, for th e work of the excavation coordination agencies in the Bezirk capital cities

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GYORGY MAROSAN ON INNOVATION, ENTREPRENEURIAL SPIRIT

Budapest MAGYAR HIRLAP in Hungarian 17 Aug 85 p 7

[Interview with Gyorgy Marosan Jr, scientific associate of the MSZMP's Central Committee, by Eva V. Balint: "Only Sure-Fire Initiatives Undertaken? We Need Marketable Ideas, Genuine Entrepreneurs"]

[Text] Gyorgy Marosan Jr's original profession was physicist, but he wrote his doctoral dissertation in philosophy. He has been a researcher at the Central Research Institute of Physics (KFKI), he has worked in the Ministry of Industries, and presently he is scientific associate of the MSZMP Central Committee. Among his favorite topics are the issues of innovation and small entrepreneurs. He frequently wrote, lectured, and debated about these, and he even tried practical involvement in them.

Having considered the career of this energetic young man, who is in his late thirties, the question comes spontaneously:

[Question] Do the people who have to be involved with enterprises and innovations possess the same entrepreneurial disposition as Gyorgy Marosan? Can we say that there is some connection between a certain personality type and a certain form of management?

[Answer] True, I have an enterprising disposition--Marosan smiles--but you will not seduce me into talking about myself. What is more, I am not well enough versed in psychology to risk going into various theories concerning entrepreneurial behavior. However, I will try to answer the second half of the question.

Technical Citadel

In order to answer, it is useful to compare the 1950s and the 1980s. The 1950s were characterized by relatively rapid growth worldwide in the development of markets and international trade. Huge factories were created, with specialized products and technologies directly related to them, and multilevel management hierarchy, the bottom rung of which was occupied by the insufficiently qualified worker. In fact, they applied the elements of Taylor's theory to the practice of the assembly line. During those years, what they looked for in the economic managers of enterprises was executing rather than

initiating ability. The situation is entirely different during the 1980s. Why? Because balanced and rapid growth ceased some time ago, and the markets are becoming severely restricted. The optimum size of an enterprise is becoming much smaller. Nowadays, the basic criteria of competitiveness are resiliency, the ability to adapt and to innovate. Naturally, the changed market conditions, the narrowed structure, and the greater risks call for a different type of manager. While earlier he was supposed to be an organization man, now he is an entrepreneur. And initiative became a decisive factor, which of course does not preclude the importance of executive ability. But by now the two have become equally important.

I would like to mention another important factor: While in the past new technologies and production methods were usually possessed by the large enterprises, these days we see that the smaller firms are more likely to specialize in the development of new technologies and the delivery of goods to the market.

[Question] In more and more countries, it is the state that brings about the meeting between ideas, capital and entrepreneurs. Everyone considers California's Silicon Valley as the model for this. Although you have written about this extensively, it would not hurt to retell what actually happened there.

[Answer] The cradle of Silicon Valley was in the research park established at Stanford University, which allowed the construction of research and production facilities on a portion of real estate in its possession. Thus, the continuously growing number of laboratories found themselves in a stimulating intellectual atmosphere, while they had an excellent material infrastructure to offer. They attracted industry, which brought with it capital, markets and problems to be solved, and at the same time they also attracted the expertise and new technologies accumulating at the University. The newly settled firms and the prestige of researcher-entrepreneurs (who used to be university professors and students) made the region quite attractive. What used to be a moderately developed agricultural area now became the world's technological citadel.

[Question] I heard that this established a precedent everywhere. From Japan to Israel, from England to Sweden, a number of scientific-industrial parks came into being.

[Answer] That is correct. But what does all this mean? In establishing research parks, the money is not spent supporting the research project of an enterprise, a university or a developmental program. Instead, they invest in buildings, infrastructure and all-purpose facilities. And, as it has been proven in the countries just mentioned, such facilities have a catalytic effect. They can be rented, complete with various supporting services. In other words, a competitive idea can be very quickly transformed into an effective enterprise, because the basic conditions are provided in place. Since the services are not cheap, it is in the enterprises' interest to use them only as long as it is profitable or even feasible to do so. There are

already scientific shops operating in these research parks. These independent, highly qualified firms specialize in providing concrete and practical consultation in the specific areas of science and technology to their clients.

Risk Capital

[Question] I believe every new type of small enterprise is unavoidably risky. Who takes those risks in this case?

[Answer] In effect, everyone who is in this field, including the entrepreneur and the owner of the capital. What is more, a new branch of business was born: venture capital. This is provided by small financial organizations, separate from banks. Their primary activity is to create capital needed for the starting of small, risky enterprises, and to assure the continuation of capital support for the period of their energetic growth. Its characteristic feature is that it does not provide loans but start-up capital, and it does not support technological development but rather independent economic undertakings. Another interesting trait of venture capitalists is that they do not wish to become rich from the profits of the enterprise but rather from the difference between the real and stock-market value of its stocks. In the case of a failing enterprise, of course, the financier loses, because the company's papers are worthless.

To protect themselves, venture capitalists only take a minority share in the companies they finance, but they participate in the activities of many different firms. This way, even though more failures take place than successes, the profits earned from growing enterprises is higher than the average of some large banks.

Domestic Obstacles

[Question] What we have talked about so far is characteristic of foreign countries, and especially developed capitalist ones. But where is Hungary in this respect?

[Answer] I believe that once the technological development of a society reaches a certain level, it can place more emphasis on the kind of progress that favors small enterprises. What hinders this? Judicial regulation, among other things. But I do not think that this is the primary problem. The lack of capital? For a long time that was a major obstacle in Hungary, even though since 1979 there is the firm INNOFINANCE, which in fact operates in a manner similar to venture capitalists. Within the past few years, at least seven specialized financial institutions have been established. Do you know what we really need? Marketable ideas and genuine entrepreneurs. Perhaps the latter are more crucial. When one undertakes the starting of a business, he has no idea what an entrepreneur has to take care of: from the credit to the market, from advertising to material procurement. And anyone who previously worked for a large [state-operated] enterprise will be accustomed to a radically different working tempo and risk acceptance than those required in small business.

[Question] Don't you think that the problem is not so much the absence of entrepreneurial disposition, but rather a degree of scepticism concerning our economic and political life? What I mean by this is that perhaps the entrepreneur is afraid that his business will be taken away and nationalized?

[Answer] Many people asked me about this. I will be honest with you: I think this is just a pretext. Because what can happen even in the worst case? The entrepreneur loses a portion of his money. But he gains a great amount of experience. A business venture is exciting--like a new woman! It is greatly fascinating to learn about it. Unfortunately, in Hungary many people are reluctant to launch an initiative unless it is sure-fire. This is part of our traditions. I always say: If someone feels he has an idea, he has the energy, and he is not afraid of innovation and risk, let him make the move....

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DIRECTOR SAYS INCOME POLICY DECIMATES INDUSTRY

Budapest FIGYELO in Hungarian 5 Sep 85 p 7

[Interview of T. Katalin Forgacs with Adam Angyal, director of the Ganz Danubius Factory: "Waiting for New Products"]

[Text] The name change revives the proud traditions of a long, proud industrial past: The Hungarian Ship and Crane Factory has become Ganz Danubius. As for the director of the enterprise, a few weeks ago he published a polemical article (in FIGYELO, 17 Jul 85) that could be the program of a newly formed pro-industry pressure group. Our associate, T. Katalin Forgacs, talks with Adam Angyal.

[Question] Since the publication of your writing, which evoked lively responses, the opposing views have also appeared. Having read them, do you still maintain your opinions contained in the article?

[Answer] Yes, unconditionally. I still claim that [our] industrial society has long been decimated by an income policy that is based on false logic. I claim that price, wage, and inflation problems should be removed from the system of conditions determining the regulation of industrial incomes. These have already created such disadvantages that can only be compensated for by instituting a one-time remuneration for all industrial workers, in order to balance the negative effects of the past decades. Subsequently, a system of taxation should be developed that would touch all sectors of the economy equally. In other words, we should eliminate the situation wherein the budget increasingly obtains more and more of its outlay from these branches and those industries which produce most of the profits. This ruins the productive enterprises. We have reached the point where the production cost itself forms the tax base. Ganz Danubius, for example, turns 86 percent of its profits over to the budget, if we consider all of the claims used. It is also a well-known complaint of industry that one cannot plan the changes in fiscal demands.

[Question] Aren't your thoughts hiding the fact that your bailiwick is running out of dynamism, and, according to several people, Ganz Danubius is looking forward to stagnation during the next few years? Already this year you were only able to match last year's receipts, and that amount, 314 million, is quite modest compared to receipts of 5.3 billion forints. Nor has there been any mention of the dynamic development plans of the previous years.

[Answer] I leave it to your judgment and to that of the broader professional community. In view of the industrial block concept, is an enterprise that is planning a 35 percent increase in trade volume and a 70 percent increase in growth profit preparing for stagnation? And these are not the finalized figures. Within the next few days, the council of directors will debate the seventh five-year-plan of the enterprise. I am in the process of trying to convince the other members of the council that we should adopt plans that call for a significantly greater rate of growth.

[Question] Are the dynamics of industrial development formulated within the concept of industrial blocks suitable for the purpose of comparison?

[Answer] Well, then let me phrase it differently. If we were trying to talk the state budgetary authorities into giving us additional funds, I would not have chosen as my method the writing of an article. There are so many enterprises demanding additional support; there are so many that achieve the reorganization of their loan repayment, its transformation into basic national investment, or its outright forgiveness. . . After all, these are all methods with which to achieve additional resources, and they are not necessarily condemnable, in view of the above-mentioned taxation system, which includes even the production costs into the tax base. . . In contrast with this, Ganz Danubius services its loans regularly, even though it has financial problems.

[Question] What is the shape of the enterprise's net budgetary relationship?

[Answer] In some years the balance is positive, in others it is negative. But, knowing the taxation system, I do not consider this a particularly noteworthy indicator. Fiscal data, by themselves, are no longer suitable indices of an enterprise's achievement. The true factor is that an enterprise should produce solid, high-quality products, and should find markets for those. Within the next five years we are planning to sell 35 million forints worth of goods, and we already have contracts for about one-third of this volume.

[Question] I am afraid many people will have bad memories upon hearing the argument that industrial achievement should not be measured by data of fiscal efficiency but by natural emission. This has already proven to be a dead end in more than one place and on more than one occasion. . .

[Answer] Still, under present conditions of income witholding, I see no other chance for the enterprises than to make good quality, marketable products. I am not rejecting the fiscal indices in general, only under the present conditions, when the fiscal situation of enterprises is influenced more by their budgetary contacts than by their actual achievements. Perhaps an example will help clarify what I am trying to say" Under present conditions, I prefer a good quality, popular TV set that costs 30,000 forints to 50,000 forints' worth of TV production showing up in financial statistics. . .

[Question] You mentioned your dissatisfaction with your enterprises' developmental plans presently under discussion. What are the products

while according to the measurements you proposed, could contribute to improving the performance of Ganz Danubius?

[Answer] It is a fact that, in contrast with the two billion forints invested in the previous five years, we will be able to spend only one billion on development during the next five years. In addition, several of our products are hurt by the recession of the world market. Such are, for example, shipbuilding and the manufacturing of riverboats and tugboats, which constitute 25 percent of our production. On the other hand, according to the prognoses of the World Bank--and attributable to the expected growth in energetics--there are good perspectives for the manufacture of energy-producing boilers. The making of containers also holds out hopes; in this area we already have concrete developmental ideas.

At the same time, I would like to emphasize that, in my opinion, the reinvigoration of the enterprise is basically not a question of investment, and it does not depend on the existing product groups. This is exactly the point on which the other members of the director's council and I differ. The plan under discussion is still based on existing products and aims at maintaining the present level, while in my judgment the future is guaranteed by new products.

[Question] Are you talking of concrete ideas?

[Answer] No, I am talking about products that will have to be thought of by our designers.

[Question] Ganz Danubius employs significantly more designers than the average enterprise. What is the income of the designers who, in your view, hold the keys to the future?

[Answer] The wages of a 30-year-old design engineer are between 6-7,000 forints. There are presently 160 enterprisal economic work associations at Ganz Danubius; with their help, we are trying to improve the earning possibilities of the various social layers.

[Question] Couldn't this crucial group be paid better--for example, by modifying the structure, utilizing the available financial incentives, or by forming subsidiaries?

[Answer] I have made attempts in this direction and, to a certain degree, I was disappointed. About six months ago I suggested to the head of one of our design sections (there are six design sections within the enterprise) that they should operate as subsidiaries. This suggestion was rejected by the designers themselves, who were afraid of the risks. As I think it over, I cannot blame them: After all, to be a good designer or a good engineer are two different matters, calling for quite different types. The designers in question are good engineers. I cannot force them to do anything. In any event, it is my conviction that it is not practical to force people to do anything with which they are not identified, because in cases like that they will simply sabotage the work. Consequently,

I have to be satisfied with the fact that things at the enterprise change more slowly than I would like them to, and my ideas are also accepted only gradually. Yet, I realize that the remuneration and achievement of the technical intelligentsia must change. We must strive to bring out all of the potentials hidden in people. Without that, the more dynamic development, proposed by me, will be scarcely realized.

[Question] Is it a part of this more dynamic development that the Western export of Ganz Danubius, having declined for the past few years, should again start to flourish?

[Answer] Unfortunately, we have loss-producing items in our Western export, as well as in our export toward the socialist countries, which make up 60 percent of our receipts. The enterprise operates within the format of earnings-level control. We cannot afford the luxury of losing products for long. At the same time, in this area, too, I strive to implement the principle according to which financial data do not reveal much. Thus, for example, we have markets which, in spite of their temporary loss-producing nature, we consider hopeful, and in which we wish to maintain an export orientation.

[Question] It is said that during the recent past the wave of pro-independence moves by manufacturing units has reached your enterprise too. . .

[Answer] Yes, there has been talk of making the Balatonfured plant independent. In my opinion, however, this is economically ill-advised. After all, parts of the cranes are manufactured at Tiszafured, while the structural elements are made at Balatonfured. I am not convinced that the Balatonfured plant could support itself merely by making those elements and river barges. And anyway, Ganz Danubius gives more freedom to its plants than most of the other enterprises in the machine industry. Every plant operates as an independent profit center. In the course of developing our organizational and operational structure, a peculiar system of internal rules has come into being. The plants do not pay general profit taxes, and they do not contribute to the development of their communities. On the other hand, they transfer to the enterprise center about twice the applicable capital, wage, accumulation, and profit taxes, naturally, figuring all of these based on their own data. They are free to dispose of whatever they have left.

[Question] At the Budapest Furniture Industry Enterprise (BUBIV), for example, the plants have so much freedom that they even maintain contractual relationships with each other when it comes to deliveries--of course, subject to the center's "gentle" pressure. . .

[Answer] The plants of the Shipbuilding Factory are not quite that free, and I doubt that this would be called for, primarily because our internal integration is stronger. The enterprise has its so-called specialized technological systems, which the specialized factories are required to produce. As for the development of other types of cooperation, however, we give the plants considerable freedom. And if a sizeable trade

opportunity comes up, we designate two or more plants to take care of that deal. The plants negotiate among themselves as to how the manufacturing process and the profit-sharing will be managed. Within the realm of internal cooperation, each plant can deduct 20 percent of its own receipts, if production fell within its own specialty.

[Question] Still, it appears that, in spite of the relatively well-developed internal incentive system, a certain atmosphere of conservatism, wariness, and an anti-development attitude prevails in the Ganz Danubius plants. The enterprise's director himself is forced to sell his fellow managers on the advantages of more rapid development, new organizational forms, and new products. . .

[Answer] Everyday reality has taught me to become patient and to assume the attitude mentioned earlier. There is no use forcing upon people decisions with which they do not identify. I am confident that, perhaps more slowly than I would have liked, I will be able to gradually awaken the spirit of entrepreneurship at Ganz Danubius. The enterprise's economic work associations will be excellent allies in this effort; at the lower and middle level, thay have already achieved great results in the selection of leaders. Perhaps in the future I will be able to rely on this layer more extensively.

The Main Indices of Ganz Danubius, in Percents

	1981	1985*
Ruble Export Receipts	100	175
Non-Ruble Export Receipts	100	45
Domestic Receipts	100	86
Total Receipts	100	106
Sum	100	82
Distribution		
Total Receipts	100	100
Of This		
Ruble Export Receipts	38,6	63,7
Non-Ruble Export Receipts	34,6	14,5
Domestic Receipts	26,8	21,8

*1985 Plan

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HUNGARY

LONG-TERM TRADE AGREEMENT SIGNED WITH PRC

Budapest MAGYAR KOZLONY in Hungarian No 28, 11 Jul 85 pp 692-693

[Text] Publication of International Agreements

Serial number: 9

From the Minister of Foreign Trade

Long-term trade agreement between the Government of the Hungarian People's Republic and the Government of the Chinese People's Republic for the years 1986-1990.

The Government of the Hungarian People's Republic and the Government of the Chinese People's Republic (hereinafter: Contracting Parties) in the interest of further extension of trade relations between the two countries and of mutual assistance of their economic development, further in the interest of strengthening friendly cooperation between the people of the two countries based on the principles of equal rights and mutual advantages, decided to conclude a long-term Trade Agreement for the period of 1986-1990.

The Contracting Parties agreed in the following:

Article 1

The principal commodities to be delivered mutually from the Hungarian People's Republic and from the People's Republic of China between January 1, 1986 and December 31, 1990 will occur according to the enclosed commodity lists--list of commodities to be exported from the Hungarian People's Republic to the People's Republic of China and the list of commodities to be exported from the People's Republic of China to the Hungarian People's Republic. The commodity lists constitute an inseparable part of the Agreement.

Article 2

The quantity and value of goods to be delivered yearly, contained in the list of goods attached to the Agreement and falling within the Agreement are contained in the yearly Registers concerning exchange of commodities and payments. The Contracting Parties may modify or supplement the scope,

quantity or value of goods contained in the list attached to the Agreement in the course of negotiations aimed at establishing the yearly Registers regarding the exchange of commodities and payments.

Article 3

The exchange of goods earmarked in the Agreement and related transactions in this connection should be carried out in accordance with the General Terms of Delivery being in force between the two countries and in accordance with agreements concluded between enterprises of the two countries authorized to conduct foreign trade.

Article 4

The prices of goods to be delivered reciprocally in accordance with the Agreement should be established through negotiations between the enterprises of the two countries authorized to conduct foreign trade, in consideration of prices on the world market, in accordance with equality, mutual advantages and reasonableness.

Prices should be fixed in clearing Swiss francs.

Article 5

Methods of payment and of settling accounts for goods delivered under the Agreement shall be set in the yearly Registers regarding the exchange of commodities.

Article 6

Regarding customs duties, other taxes, administrative customs regulations and procedures affecting the import and export of goods both Contracting Parties will apply most-favored-nation treatment, with the following exceptions:

1. Advantages already granted or to be granted by the Contracting Parties to neighboring countries to promote the exchange of goods in the border region.

2. Advantages granted or to be granted by either Contracting Party to states with which it participates in a customs union or free trade area.

Article 7

The Agreement is valid from 1 January 1986 to 31 December 1990. The Agreement's regulations remain invariably in effect also after 31 December 1990 regarding contracts under the Agreement that were not carried out or not completely accounted for before 31 December 1990.

Done on 1 June 1985 in Budapest in two copies, in Chinese and in Hungarian. Texts in both languages are equally valid.

For the Government of the Hungarian People's Republic
(signed) Jozsef Marjai

For the Government of the Chinese People's Republic
(signed) Li Peng

13043
CSO: 2500/523

ESTABLISHMENT, FUNCTION OF TRADING COMPANIES DISCUSSED

Background of Debate

Budapest FIGYELO in Hungarian No 31, 1 Aug 85 p 1

[Article by "rg": "Trading Companies, Hungarian Style"]

[Text] Since the news got about that a few daring enterprises in Hungary want to become trading companies there has been no end of debate as to whether there is or is not a realistic foundation for it.

We can find a completely professional, scientific approach which tried to prove with a series of arguments that it is absurd to found a trading company of the Japanese (or any other) type in Hungary, emphasizing that the economic/financial conditions for it do not exist. "The whole thing is a deception!" say the leaders of some of the competing enterprises in their statements of opinion, bordering on indulging in personalities. From the other side studies, also supported by arguments, pointed to the similarities between Japanese and Hungarian conditions and to what would be worth taking over from, for example, the Far East trading companies.

Where is the truth? We cannot really decide this here and now. It is a fact that four enterprises--Hungarotex, Konsumex, the Skala Coop and Transelektro--have taken the path and begun to realize a strategy called a "trading company" strategy.

The key to the whole debate may lie in the very expression "trading company." The arguments and counter-arguments frequently break down over the interpretation of this phrase. But what should be examined is the activity which these four enterprises have started--the name is only secondary. They already have competitors, and if we compare the activity of these with that of those openly proclaiming themselves trading companies it turns out that the goals and means are the same in both cases. The difference is only in the name--this is a trading company [kereskedohaz], that is a business firm [uzlethaz].

For decades the task of foreign trade in Hungary was reduced to simple mediation between the domestic and foreign parties to the transaction, in return for a modest payment. The economic reform and the unfolding of the

entrepreneurial spirit awakened the foreign trade enterprises to the idea that their possibilities could be much greater. They began first by putting out a 1-2 million forint development fund and when the gates opened for real undertakings--with the modernization of the organizational system for foreign trade, the introduction of parallel export rights and the relaxation of profile limits--some of the foreign trade enterprises tried to break through the traditional limits.

Whether they call themselves trading companies or business firms they were forced to become aware of the fact that the greatest obstacle was the lack of commercial capital. They had ideas, but only a fraction of these could be realized from their restricted material framework.

In the wake of the 1968 distribution of working assets the crucial part of the working capital connected with production and trade went to the producers. The goal of the foreign trade enterprises and the guiding authorities is to restore a proper ratio, parallel with a removal of the rigid boundary lines between production and trade. These foreign trade enterprises have a place in this process--indeed, they are providing a truly pioneering function. They are mobilizing the commercial capital which can be found, they may realize an increasing proportion of their ideas and naturally they are taking a risk.

Whether or not this process will lead even in Hungary to the creation of managing organizations and trading companies with plenty of capital which carry out, in addition to the traditional commercial functions, production organization, production initiation and production financing tasks, with their own foreign market, banking, production, research and development, insurance background, etc, with their own system of contacts--this is a question for the future.

Key: 1. Conception Variant

For the time being the enterprises are trying to get hold of commercial capital from the most varied sources and after achieving this undertaking things on an ever broader scale, enriching the enterprise organization of foreign trade with new features--entrepreneurial enterprises.

(The editors of FIGYELO organized a round-table discussion on trading companies in Hungary, or on enterprises performing activities of a trading company character, the chief findings of which we publish on page 19.)

Round Table Discussion

Budapest FIGYELO in Hungarian No 31, 1 Aug 85 p 19

[Text] Even in professional circles they are debating whether the institution of trading companies is realistic in Hungary. The differences of view may derive from the fact that everyone identifies the concept 'trading company' with the Japanese trading company, and obviously the same financial/economic background does not exist in Hungary. How should we define a domestic "trading company", what is its purpose, and under what conditions might it function? A forum discussion seeking answers to these questions was held in the editorial offices of FIGYELO with the participation of: Lajos Berenyi, a main department chief in the Ministry of Foreign Trade; Tibor Bokor, a deputy main department chief at Hungarotex; Laszlo Borbely, a main department chief in the Ministry of Financial Affairs; Miklos Kozma, director general of Transelektro, and Laszlo Toth, director general of Konsumex. The editors were represented by Andras Varga.

[M. Kozma] We should not put an equal sign between the Hungarian and the foreign trading companies. There are typical forms and of these the Japanese trading companies represent only one type. In their case I see a certain similarity with the organizational structure and conditions of foreign trade in Hungary, but copying them would be an unrealistic goal. Our banking system is different and our foreign trade is built on a different type of economy. One cannot formulate a uniform definition of a trading company, not even under Hungarian conditions, because our enterprise, Hungarotex, Konsumex and the Skala Coop are not working in the same way.

So what I should talk about is how Transelektro works as a trading company. I will mention the entrepreneurial activity in the first place. Our enterprise contributes with its own capital and a suitable organizational background to the export of large installations in that we provide the something extra which the individual factories cannot undertake. For example, we get involved as an organizer in working out the bid, or as financier in a given case, we coordinate the import acquisitions, we bring foreign partners into the undertaking, etc. In another area of activity we arrange the production of a commodity base corresponding to the needs of the markets, in that we help out with the production development background here at home. We also try to create markets. For example, we will sell a power plant to a developing country in such a way that we can get some product or raw material from there which we sell here at home or on a third market.

[L. Toth] We transformed Konsumex into an "entrepreneurial" enterprise by replacing the old commission system. So our goal is to have more than agent activity. I can imagine undertakings at home and abroad, jointly with industry but also with agriculture or domestic trade. For example, not long ago we founded a joint enterprise, called Contex, with three other enterprises, to utilize the intellectual capacity of Fekon. The 60-member staff designs, models and manufactures ready-made products in small series. Our idea is that the products designed and modeled here will be manufactured in series somewhere in the Far East and sold on the capitalist market. This and similar forms of cooperation will be successful if every interested party takes a risk and, naturally, shares in the profit. This requires forint capital and foreign exchange capital. We occupied a unique position among the foreign trade enterprises; we were primarily importers and our export was limited. One cannot build a marketing strategy, however, if we have the right to export something today and tomorrow we do not have. We need permanent authorizations if we are to build up a foreign market organization, work out a market strategy and establish lasting contacts.

[T. Bokor] At Hungarotex we intend to use the trading company to expand the profile. This could mean competition in foreign contacts with the enterprises which have "owned the profile" up to now. We imagine bringing new items into our area of activity, so we would like to participate in investments serving to expand export. We plan joint undertakings with both domestic and foreign partners. Our plans include more intensive domestic trade work, and there are great traditions at Hungarotex in regard to special business activity, for example in playing the market in a speculative way.

[FIGYELO] Where did the initiative come from? Did the enterprises report such ideas to the guiding organizations, or did the Ministry of Foreign Trade select those enterprises which, in its opinion, were suitable for carrying out trading company activity? I am asking this also because one can sense some jealousy on the part of other enterprises; they would do it too if they could get preferences.

[L. Berenyi] Today 200 and some odd enterprises already have independent foreign trade rights. The specialized foreign trade enterprises, which still conduct four-fifths of the foreign trade, have developed quite varied contacts; various partnership forms have strengthened along with the commission contacts. But the self-accounting form is still only 10 percent of the trade. It is a fact that as a result of the 1968 redistribution of working assets the crucial part of the capital went to the producers. It has been this way since too, even if there were efforts to increase the role of commercial capital. An institution of the trading company type will serve this also.

In the enterprise sphere these four enterprises were the first to apply; since then there may have been more. To get started these four enterprises got authorization for trading company activity. Both professionally and from the side of personnel conditions these are the best prepared enterprises. The position taken by the Economic Committee of the government was also very important in getting started.

[L. Borbely] These enterprises felt that they would have much greater scope for increasing export if they could dispose of more commercial capital, because they have a suitable organizational base and the domestic-international experience connected with this. Let me note that these enterprises began activity of this type on their own initiative, on a modest scale, but with their own assets. The activity which we are calling trading company activity in Hungary, for lack of a better word, grew out of this.

[FIGYELO] So in the future other enterprises could transform themselves into trading companies, presuming that they have the initiative to do so?

[L. Berenyi] I would not like it if the founding of trading companies became a campaign, became fashionable, without suitable experience. But if some enterprise is capable of taking advantage of the possibilities within the Hungarian regulator system and can produce the resources for trade at its own risk, and if it is professionally prepared and has a suitable domestic and foreign market organization, then it can become a trading company. But it should know that more rights are accompanied by more risks. Nor would I like it at all if these enterprises--simply because they "woke up" sooner--were to get special preferences so that a disadvantageous situation would develop for the other enterprises. I must say also that at the very beginning these four enterprises got very modest preferences and material assets, really symbolic ones, from the central money fund. Enterprises intending to participate in expanding the circle cannot count on this automatically.

[L. Toth] The disadvantages of the regulator system do not weigh on us alone but on the other enterprises as well. One needs a large profit for trading company undertakings. Our most recent investment required 200 million forints. We took this sum from the profit, with the consequence that we can carry out only a smaller wage development than those firms which do not undertake such things.

[T. Bokor] We cannot expect special preferences simply because we are conducting trading company activity. We do not intend to pass on to the budget through permanent or long term preferences the risk, or a part of it, which we undertake in this way. It is another question that we need a flexible regulator system adjusted to realities which changes in the correct direction.

[FIGYELO] How much commercial capital do you consider necessary for your trading company activity?

[M. Kozma] Large installation undertakings are characteristic for us. Taking the risk of this into consideration too, 10-15 percent of the enterprise trade would have to be as commercial capital; the sum comes to 1.5 billion forints. Basically the enterprise results would have to be the source for this. We could associate with other enterprises and I can imagine that gradually the domestic banking system will become one which does not only offer credit with the maximum interest rates but also takes a risk in business. A different sort of taxation system might make possible the accumulation of enterprise capital. If I add to what exists the 100 million forints about the awarding of which there has been an Economic Committee decision then we have a total of about 300 million forints now. One more question arises from the regulatory side:

What strings should they attach to this commercial capital? What can it be used for? It can be used as working assets, but to what extent can it be used for developmental purposes?

[L. Toth] I would not dare give such a large percentage, because 10 percent of the trade would be 2.7 billion forints for us. The capital draw for the 22 themes selected and prepared in the last year was about 1 billion forints. Because of the shortage of capital we had to be selective, starting with undertakings which pay off most quickly. By and large we can manage this year with a sum similar to that of Transelektro, counting in the 100 million forints awarded by the Economic Committee, and the Interinvest and Hungarian National Bank credit.

[T. Bokor] At Hungarotex one could put at roughly 10 percent of the trade the sum which would help the enterprise to continual liquidity without aborting our developmental ideas. As for the sum which can be mobilized this year our possibilities are the same as those of the other two enterprises. I still see unexploited possibilities in the joint undertakings of foreign trade enterprises. In a given case one might consider bringing in foreign capital.

[L. Borbely] The supply of capital is limited. That is why the trading companies should slake their capital thirst from three sources. I would like to put in the first place--underlined three times--the significance of their own assets. One can find here that general preference which has been given since the beginning of the year to every enterprise listed in the foreign trade branch, namely a possibility for a 5-percent tax rebate compared to the general profit tax if the money is used for trading company or similar activity. I consider this a qualitative change in the regulator system. Whether 5 percent is little or much is a question of debate and of the possibilities. The second source consists essentially of the assets brought in. Banking activity with an entrepreneurial spirit can contribute to this, and I would not rule out the issuing of bonds by the enterprises. Or another possibility: An enterprise could get the 5-percent tax rebate even if it is not yet set up for trading company activity. This is several tens of millions of forints in foreign trade, the mobilizing of which would surely be of interest to these four enterprises. The third source, central aid, is the 100 million forints each already mentioned, which the enterprises get at by way of tax rebates. This is a one-time support for the trading companies.

If we add up the sources mentioned by the enterprises we get approximately one billion forints, compared to which the need--also adding up--would be 3.5-4 billion forints. If the enterprises succeed in mobilizing supplemental capital from the other sources mentioned then we can say that the germs of commercial capital have formed already. We should not forget that the basic problem in Japan, Western Europe or the United States, where trading companies operate, is placing out the capital. In plain language, there is money, and their chief concern is that their money should bring a higher profit than bank interest. Here we have a capital shortage, and the enterprises cannot realize all their ideas which would bring a higher than average profit.

mammoth enterprises in a monopoly situation beside which the other Hungarian enterprises will not be able to realize themselves adequately?

[L. Berenyi] There are fairly broad guarantees. The relaxation of profile restrictions thus far and in the future is the sharpest guarantee of this. The trading companies really will have to reckon with competition. In many areas they will compete with each other.

Even today other foreign trade enterprises or producing enterprises which have won foreign trade rights can deal with the given product. Competition appears from many sides, so there can be no talk of going back.

[L. Toth] There is not a single article in the trade of Konsumex for which four or five or even more other enterprises do not have foreign trade rights. Let me add that however correct it was for the Ministry of Foreign Trade to extend foreign trade rights in this way, thus creating competition possibilities, it is just as debatable that monopoly situations still reign in other areas. I am thinking, for example, of the purchasing monopoly for some agricultural products. Last year we lost 5 million dollars' worth of export because of that. We purchased the goods directly from the producer cooperatives without success, the purchasing monopoly was still able to prevent the export.

[M. Kozma] Enterprises which have won foreign trade rights are standing in line for us. They have discovered that one can work effectively on the market if one has a properly prepared apparatus. They need our business and shipping experts, and the market organization. They say, "Let's get together." What I see in this is that this organization is developing in a viable direction, and is not becoming a monopoly.

Key: 1. Shop for Builders of Trading Companies
2. Japanese Import Development Fund Sold Out
3. Tax Rebates
4. Can Be Preordered
5. Baskets May not Be Removed from the Shop Without Permit from Ministry of Foreign Trade

8984
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POLAND

PARTY ORGAN CALLS FOR CRITICAL DEBATE ON IMPROVED REFORM

Warsaw NOWE DROGI in Polish No 7, Jul 85 pp 74-75

[Editorial: "Improving the Economic Reform"]

[Text] Our party has initiated the economic reform and its sincere intention is, as the national party-economic conference in Poznan confirmed, to continue this process. There can be--as the conference emphasized--no retreat; making the economic mechanism more effective will constitute an essential factor in the futher development of Poland.

In a word, we are not reforming simply to be reforming, but we place the most concrete hopes in the reform that it will create at the same time ever better conditions for working and acting and will contribute to an increase in the productivity of the Polish economy, to strengthening its socialist principles.

We undertook the Polish economic reform in a period that did not favor this type of initiative, in conditions marked by an unusual aggravation of our economic difficulties, but with the hope that the reform will serve the surmounting of these difficulties. It would be arrogant to claim that everything in the reform was successful from the very beginning and that the package of proposed solutions within the framework of the reform exhausts the possibilities in this area, that it is completely satisfying or simply perfect.

The reform is a process, a constant process, in which it undergoes continual changes and improvements. This leads to such great need and significance for constructive discussion on the subject of the economic reform and criticism of everything in the details of its solutions that has not stood the test, that requires streamlining and in this way the arrival at ever better solutions which will spark the socialist entrepreneurship of the workers and managers and help to make the economy run more efficiently.

NOWE DROGI has already published many articles on various aspects of the theory and practice of the functioning of the economic reform in Poland. We have also published a special supplement to NOWE DROGI (February 1985) devoted to justifying adjustments of some of underlying

principles in order to bring them into line with the demands of real life. We can claim with satisfaction that we have allowed the reform from the beginning and have participated--as the theoretical and political organ of the CC PZPR--in its improvement by opening our pages for discussion on the subject of the economic reform.

We desire to continue this work of ours. The pages of our journal are open as a forum for debate, the purpose of which is to improve the performance of our economy.

We do not share the view of those papers and journals that have at times described criticism of particular solutions of the reform as an attack on the reform. Criticism, even sharp criticism, is still not an attack. Only in an atmosphere of bold, creative, and serious debate can we achieve ever better solutions. Thus, all attempts to hamper or even silence discussion, the development of which is simply an essential condition for the success of the reform, must be opposed in the most categorical manner. The reform must not be disucssed by using epithets against the critics of its particular provisions, but by using arguments. The cost of noncriticism, of all hurrahs, yielding to euphoric moods of apologia is usually high. We know this from the past.

The reform does not need uncritical, dogmatic supporters. It needs rather wise critics who care for the durability of its socialist principles, who will contribute to the introduction of ever better conditions for action and the advancement of socialist entrepreneurship and making the economy run more efficiently.

"Improvement of the economic situation," Comrade Wojciech Jaruzelski said at the 20th Plenum of the CC PZPR, "will in the final analysis determine how much prestige the Party has, how it is perceived in the eyes of the nation, and whether it will enjoy the trust of workers and the public at large."

And the economic reform undertaken on the initiative of our Party must with ever increasing effectiveness serve to improve the economic situation. And for this very reason it cannot stagnate; it must be a constantly developing and ever improving process.

Our pages are open to debate, the purpose of which is the development and improvement of the Polish economic reform. We encourage participation in this debate.

13021
CSO: 2600/1018

POLISH DEBT PICTURE: PAST, PRESENT, FUTURE

Warsaw ZYCIE GOSPODARCZE in Polish No 30, 28 Jul 85 p 2

[Article by Jacek Moscicki: "After the Paris Agreement"]

[Text] As was widely reported in the press last week, a protocol was signed in Paris that recommends to the seventeen governments, to which Poland is indebted, the restructuring of the payment obligations due for 1982-84 chargeable to credits covered by the government guarantees of the creditor countries. In addition to reviewing the published details of this agreement, it would be useful to give a brief recap of the history of our dealings with our creditors, both governmental and private, agreements currently in force on the rescheduling of our overdue obligations over time.

According to the PAP communique, representatives of Austria, Belgium, Brazil, Denmark, Finland, France, Canada, Japan, Italy, Holland, Canada, Norway, Sweden, Switzerland, FRG, Great Britain, and the USA signed the Paris agreement. The signed protocol sets the following conditions:

1) Payment of 100% of the principal payments and 100% of the interest due in 1982-84 is deferred.

2) Payment of the deferred payments will begin 1990 and will last until 1995.

3) Interest on the deferred obligations covered by the protocol will be paid at a rate to be established through bilateral agreements, but the payment of the portion of this sum for 1985 will also be deferred.

It was also noted that talks on deferring payment of the principal and interest due in 1986 will begin shortly.

After initialing the agreement on 15 January of this year the leader of the Polish delegation, the Director of the Foreign Department of the Ministry of Finance Zbigniew Farcz, characterized Poland's position on this matter in an interview for ZYCIE WARSZAWY: "We are interested in a complete, and not a partial, normalization of

our credit relations with our partners on the basis of full equality, respecting the mutual interests and treating Poland equally with other countries experiencing payment problems similar to ours. Therefore, we cannot accept arrangements that would leave in place credit sanctions against us, for example. It would also be difficult to imagine signing bilateral agreements with a country that maintains such restrictions. Besides, all previous successful refinancing operations known to me have been accompanied by a simultaneous flow of new credits to the treasury of the debtor. This sounds like a paradox, but this is the beaten path for restoring payment equilibrium. Thus, we have a right to expect that the creditor countries will make available to us the moderate new credits essential to the Polish economy."

Despite many difficulties the Polish side has constantly striven for a mutually acceptable settlement of the question of its debts owed to Western countries. One might presume that the signed agreement is also an expression of the Western creditors' desire to conduct their relations with Poland in a way that might enable the terms of this agreement to be carried out.

Thus, the Paris agreement is a declaration by all sides defining the overall framework within which action will be taken to defer payments of overdue obligations. Only now, in the bilateral talks, will the most important decisions be made. This tentative agreement is, however, a formal act regulating the problem that has been in the eyes of the West until now a major hurdle to normalizing financial relations with our country and has had an impact on the evaluation of Poland's creditworthiness on international financial markets. After the signing of the agreement, there are in principle no longer any formal barriers preventing Poland from rejoining the IMF where it could count on additional credits.

The question of restoring normal credit relations with the West is critically important both in terms of Poland's prospects for regaining solvency and also on terms of a resurgence of normal trade relations with the capitalist countries, and, as a result, a revival of economic activity in general. In 1984 credit relations with the West hit bottom. Barely 3% of Polish imports from this area were financed with medium- and long-term loans. The value of loans in this category amounted to $0.2 billion, while in 1983 these borrowings came to $0.6 billion and in 1982, $1.5 billion. This ignores 1980 and 1981 when these loans amounted to respectively, $8.8 billion and $4.9 billion.

Returning to the Paris agreement, it is the second agreement with the creditor governments. The first agreement, signed in April 1981, spread out the payment of the obligations covered by government guarantees of the creditor countries and falling due in 1981--in sum about $1.7 billion dollars--over eight years with a four year grace period. Shortly afterwards, talks started on deferring the payments due in 1982. These talks, as is known, were broken off

by the Western side in January 1982. In accord with the declarations of our government and the generally accepted norms of international law, Poland continued to honor its commitments. The gradual delay and, subsequently, the suspension at the end of 1982 of our payments resulted directly from the consequences of the political decisions of the Western countries. The terms of repayment negotiated in 1980-81 covering existing loans were predicted on the future of normal financial and economic relations with the creditors, including new commercial credits on the order of $3-3.5 billion yearly. The creditors had also agreed to this. As a result of the sanctions applied against Poland, in 1982 we received just under $1.5 billion in credits. This impacted strongly on export sales opportunities and, as a consequence, on the solvency of our economy. This forced our country to suspend the servicing of its debts. The Western countries entered into talks with Poland only near the end of 1983.

The private creditors--the Western commercial banks--displayed greater realism in their approach to the problem of the Polish debt. Talks with the banks were conducted in each successive year beginning in 1981, and these talks led to the signing of four agreements the last of which covers the payment obligations for 1984-87. This means that, practically speaking, the entire "old debt" owed to commercial banks is now covered by restructuring agreements. The fact that this agreement covers a period of a few years into a period several years into the future has the advantage that today we can say what our position will be over the next few years. In conclusion, the picture of the restructuring of our payment obligations to the commercial banks shapes up as follows as of right now.

Table 1

Terms for the Refinancing of Poland's Payment Obligations Per Agreement With the Commercial Banks

Category	1981	1982	1983	1984
Obligations covered by an agreement (billions of dollars)	2.1	3.5	1.7	1.6
--principle payments (billion dollars)	2.1	2.4	1.2	1.6
--interest (billions of dollars)	*	1.1	0.5	*
Period of refinancing of principal payments (percent)	93	95	95	95
--period of credit (years)	7.5	7.5	10	10
--grace period (years)	4	4	5	5
--percent above LIBOR (percentage points)	1.75	1.75	1.825	1.75
Period of refinancing interest with renewable credits (percent)	*	50	65	*
--period of credit	*	0.5	0.5	*
--period of use (years)	*	3	5	*
--percentage above LIBOR (percentage points)	*	1.5	1.75	*

* The interest was not refinanced.

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* The interest was not refinanced.

After the signing of the Paris agreement, only the obligations of $5.1 billion falling due in 1985 and later of the total sum of $27.4 billion of the Polish debt in convertible currency (as of May of this year) have not been covered as yet by agreements.

The costs of refinancing arrangements are enormous. It is enough to realize that in return for deferring for five years the payment of $12 billion covered in the last agreement, we must pay about a billion dollars annually or about one-sixth of the present income from exports to the capitalist countries. The cost of the arrangements with the commercial banks must be added to this. Each rescheduling of our payments increases all these costs. Such is the price for creating for our economy a breathing space which must be used to raise its export capability.

Our trade surplus with the capitalist countries, although growing, is still insufficient to cover our obligations due to the interest, which at an average percentage rate of 10%, equals a sum on the order of $2.7 billion annually. According to the plan of payments approved by the Sejm for 1985, the Polish economy can devote more than $2.2 billion this year to settling all its financial obligations to Western creditors.

Similar estimates for succeeding years are significantly more complicated because of the basic unknowns hidden in the dimensions of our foreign trade and in the development of the normalization of credit relations with Western countries or also in the development of the market interest rates. It is obvious, however, that until we are able to cover our obligations changeable to the interest on existing loans with the surplus gained from trade with the Western countries our debt must continue to grow.

13021
CSO: 2600/1018

REASONS FOR 'UNSATISFACTORY' AGRICULTURAL YIELDS

Bucharest REVISTA ECONOMICA in Romanian No 37, 13 Sep 85 pp 15-16, 19

[Article by Ilie O. Popescu: "Utilizing All the Reserves for Increasing Agricultural Production"]

[Excerpts] The plenum of the National Council of Agriculture, the Food Industry, Silviculture and Water Management discussed the activity carried out and the results obtained in the grain harvest this year and established, on this basis, measures which should be taken to achieve greater yields next year. It was stressed that this year, despite the less favorable conditions in some zones of the country, yields were obtained which would ensure the satisfaction of the needs of the population and other needs of the national economy. Although, in general, the results are not satisfactory, a number of agricultural units (even in counties affected by drought) obtained large yields. The three agricultural cooperatives in Pecica Commune (Arad County) obtained more than 8,000 kg of wheat per hectare (the "Ogorul" CAP Agricultural Production Cooperative obtained 8,875 kg per hectare on an area of 600 hectares--the largest average yield of wheat in the country); the Topolovatu Mare CAP--8,721 kg per hectare, the Teremia Mare IAS (State Agricultural Enterprise)--8,442 kg per hectare; the Nerau CAP--8,427 kg per hectare, all in Timis County; the Nadlag IAS, Arad County--8,335 kg per hectare, the Salonta CAP--8,150 kg per hectare and the Sintandrei CAP-8,095 kg per hectare, both in Bihor County. In fall barley, the Topolvatu Mare CAP (9,403 kg per hectare, the largest average yield in the country), the Cernei CAP (9,333 kg per hectare), the Recas IAS (8,715 kg per hectare), all in Timis County, achieved the largest yields. Yields of more than 8,000 kg per hectare were obtained in ten more agricultural units: six in Timis County, two in Arad, one in Olt and one in Calarasi. In addition to the examples mentioned, this year wheat yields of more than 8,000 kg per hectare were obtained in 20 units and barley yields, in 11 agricultural units. It should be noted that the number of units with record harvests of more than 8,000 kg of wheat and barley per hectare have increased compared to last year. Also, a large number of agricultural units have obtained yields of 5,000-8,000 kg per hectare (22 IAS and 87 CAP, for wheat; 29 IAS and 182 CAP for barley). Some 37 IAS and 179 CAP have obtained yields of 4,000-5,000 kg per hectare for wheat and 36 IAS and 242 CAP for barley.

The plenum concluded that the good yields obtained by many state and cooperative agricultural units fully demonstarte that there are real possibilities for obtaining higher average yields in all counties so that the deliveries to the state and to the local self-supply stocks will be increasingly larger.

Many agricultural units in Tulcea, Galati, Vrancea, Satu Mare, Bihor and other counties obtained yields which were much below their potential. Great differences in yields are still maintained between neighboring counties, with similar conditions. This shows the varying concern of the agricultural organs and of the specialists for the careful application of technologies and the weak responsibility on their part for the execution of agricultural work. For example, the agricultural units in Olt produced 1,663 more kg per hectare than those in Dolj, the units in Arad produced 1,464 more kg per hectare than those in Bihor, the units in Alba, 763 more kg per hectare than those in Mures, and those in Vilcea, 1,219 more kg per hectare than the units in Dimbovita. Similar differences in yields occurred within the same county, between neighboring agricultural units. In Tulcea County, for example, the Lunca CAP produced 700 kg more wheat per hectare than the Ceamurlia de Jos CAP and in Braila County, the Gropeni CAP obtained 1,000 kg more wheat per hectare than the Tichilesti CAP. Under the same soil and weather conditions, there are great differences in yields between enterprises and farms, which indicates that this year the correct application of the elements of technology, geared to the specific situation, has been the decisive factor in obtaining increased yields. The unsatisfactory results in yields this year are a result of the placing of wheat and barley in too great a proportion after the preliminary late crops (which has not permitted field work to be executed on time and with good quality), the delay in executing plowing for sowing (often the plowing was of poor quality and nonuniform, with remnants of vegetables, and an appropriate seedbed was not produced), as well as the late and poor quality sowing of grains. There were also shortcomings in the application of herbicides at the proper time, over the entire area, as well as in irrigation, which was not up to the level of demands this year, in the harvesting of the grains which lasted longer than the scheduled called for. Taking a lesson from the experience of the 1984-85 agricultural year, it is necessary that action be taken to instill a rigorous discipline for observance of technologies and the execution of all agricultural work on time and with good quality, in order to increase the responsibility of specialists in calling for technical solutions, with discernment and professional competence, solutions which will be adapted to the local conditions and differentiated from one field to another.

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